December 9 19

revive credits

EUROPE'S BUSINESS NEWSPAPER

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D 8523A

PERU

Tax swoop on the black-marketeers

Page 6

World News

Serbia blocks UN's plan to send in peace troops

UN attempts to send international peace-keeping forces to the central Yugoslav republic of Bosnia-Hercegovina have been blocked by Serbian president Slobodan Milosevic. Page 20

Obeid asks for swap

Lebanese cleric Sheikh Abdel Karim Obeid, kidnapped by Israeli commandos in 1989, called for a prisoner swap to include himself and missing Israeli airman Ron Arad when he appeared on Israeli Arabic television news. West Bank curfew. Page 20

Iraq destroys supergun

Iraq has destroyed its fabled supergun, the "Doomsday" weapon built to lob shells more than 600 miles. A UN observer and weapons expert said he had watched its destruction.

Marcos trial begins

Former Philippines first lady Imelda Marcos pleaded not guilty to tax evasion when her trial began in Manila. She said the charges were government harassment. Page 4

Insurers pay up

French insurance companies agreed to pay FFr1.2bn ($21.24m) to compensate people infected by Aids after blood transfusions. Page 4

Puerto Rico says 'no'

Puerto Rican voters rejected proposals intended to guarantee their US citizenship regardless of any change in the country's political status. Page 6

Communists jailed

A Romanian court jailed eight communist officials and secret policemen for up to 25 years for the massacre of almost 100 people during the December 1989 anti-communist uprising.

Hungry Albanians rally

About 20,000 Albanians, cold and hungry from food shortages and lack of electric power, rallied in Tirana to mark the first anniversary of protests which ended four decades of Stalinism.

Belgian coalition bid

Belgium's King Baudouin asked Guy Verhofstadt, one of the country's leading conservative opposition politicians, to form a coalition government two weeks after inconclusive elections. Page 4

Paris gas blast

Two people were killed and one was reported missing after a powerful explosion, apparently caused by a gas leak, destroyed a five-storey block of flats in the Paris suburb of Nanterre.

General suspended

A Mexican general and other military officers have been suspended from duty pending investigation into a shoot-out in which seven federal police agents were killed by Mexican troops. Page 6

ANC blames Inkatha

The African National Congress blamed police and the rival Inkatha Freedom party for the deaths of 17 people in clashes after an Inkatha rally in the black township of Soweto. Page 4

Fuel threat to Cuba

Cuba faces an imminent fuel crisis and could be hit by blackouts by the end of the year. The Soviet Union is reported not to have supplied any oil since the start of the month. Page 6

Chilean strike ends

Chilean steel workers ended a 39-day strike which had shut down Huachipato, the country's only iron and steel mill. Page 6

Monkey business

Monkeys took over an Indian government office in Assam, shredding files and destroying official documents.

Business Summary

Commerzbank results buoyant at 10 months

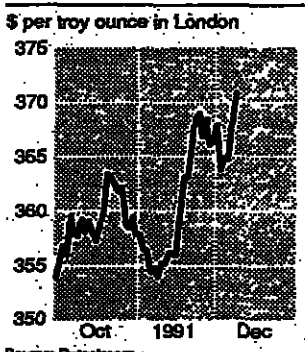
Commerzbank became the latest German bank to announce buoyant results for the 10 months to the end of November. Partial operating profits increased by 28.8 per cent to DM1.41bn ($870m) - more than the group total for the whole of last year.

The bank also abandoned its resistance to making provisions against Soviet debt, saying it would provide for more than half its uninsured exposure to the Soviet Union. Page 21; Lex, Page 20; Share swap with Spanish bank, Page 22

GOLD hit its highest price for six months in London. It finished at its afternoon fixing of $370.70 an ounce, up $2.55 from Friday's close. The price

Gold price

$ per troy ounce in London



Source: Datastream

was buoyed by predictions that the metal would average $400 an ounce in 1992 compared with $365 this year. Page 30

CONRAD BLACK, Canadian publisher who set up the Tourang consortium to bid for Australia's Fairfax newspaper group, suffered a setback when Canberra ruled that the consortium offer was "against the national interest". Page 21

RJR NABISCO Holdings' senior debt has been upgraded by US credit rating agencies Moody's and Standard and Poor's. Both regradings, lifting RJR from junk status to investment grade, reflect RJR's improved financial structure and balance sheet. Page 24

BT SHARE ISSUE: Small shareholders in the newly-privatised BT shares tranche saw their holdings close the first day's trading at 125½p – 15½p above the 110p they paid. For institutional investors, the close represented a gain of only ½p on their partly-paid price. Page 21

AEG, German electronics group owned by Daimler-Benz, the country's biggest industrial group, is to close its loss-making office equipment unit, AEG Olympia Office, by the end of the next year. The move will affect 1,600 jobs at the Wilhelmhaven plant. Page 22

TNT, Australian transport group, plans to float 75 per cent of its wholly-owned US trucking arm TNT Freightways Corporation in the US to raise between $212m and $250m Page 25

UK RETAIL SALES and credit business dropped sharply in October. Retail sales volumes fell by 0.6 per cent – revised down from a provisionally estimated 0.5 per cent – while a third successive month's net debt repayments narrowed outstanding consumer credit by £76m. Page 12

VICKERS, UK engineering group, is "reviewing many options" for its loss-making Rolls-Royce Motor Cars arm. It said speculation about the luxury car maker's future had sparked interest among international companies but there were no current talks on disposal. Page 29

WHARF (HOLDINGS) of Hong Kong, main public company in the late Sir Y.K. Pao's empire, improved profits attributable to shareholders by 22 per cent to HK$842.9m ($108.4m) in the half-year to the end of September. Page 23

EC finance ministers at Maastricht sweep aside British doubts on firm timetable for monetary union

Single currency by 1999 as UK bows to pressure

By Our Foreign and Political Staff in Maastricht

BRITAIN last night bowed to overwhelming pressure from its European partners on a plan to introduce a single currency by January 1 1999.

The plan was agreed by European Community finance ministers in Maastricht and there was little doubt last night that it would be endorsed by heads of government today.

"The UK has not raised any objection to this timetable," a British official said last night. "We saw no reason to object, as long as we have suitable arrangements for ourselves," he added.

Britain and Denmark are expected today to be granted special protocols exempting them from the commitment to introduce a single currency.

The surprisingly strong drive by most of Britain's partners to achieve economic and monetary union (Emu) by the end of this century virtually isolated Mr John Major, the embattled UK prime minister.

Britain and Denmark originally pressed for a general let-out clause, giving every EC state the option of stopping short of a single currency.

THE SUMMIT

DAY 1

ON PAGE 2
- Cohesion becomes less of a sticking point
- Lubbers puts faith in social policy compromise

ON PAGE 18
- Observer

Britain's acquiescence to the Emu timetable contrasted with the determination of Mr Major not to sign the treaty unless its social policy provisions were radically rewritten.

"The social chapter [of the treaty] is exactly the opposite of what we want, and of what the Community needs," Mr Major told fellow EC leaders. But Mr Hans van den Broek, the Dutch foreign minister, indicated that strenuous efforts were being made to find a compromise on this issue.

On the broad range of political union issues, Mr van den Broek last night reported moderate optimism.

Britain looked sure to gain satisfaction in getting the words "federal goal" removed from the European Union treaty's preamble.

This would be replaced by the formula that the Maastricht treaty "marks a stage in a process creating an ever-closer union among the peoples of Europe, where decisions are taken as closely as possible to the citizens".

But Mr van den Broek again warned last night that Britain would have to pay a price for this change. "The time for paying and receiving" would be today when EC leaders will be presented with a package of compromises on many points, he said.

The views of the Twelve were "converging" on EC foreign policy co-operation Continued on Page 20

French President François Mitterrand (left) with Pierre Beregovoy, his finance minister

Gorbachev strives to prevent Slav breakaway

By John Lloyd in Moscow, Chrystia Freeland in Kiev and Anthony Robinson in London

MR Mikhail Gorbachev, the Soviet president, was fighting for his political survival yesterday amid a struggle over the future structure of the former Soviet state.

He sought to overrule the leaders of three Slav republics by calling for a meeting of the Congress of People's Deputies, the supreme Soviet legislature, to debate the weekend proclamation by Russia, Ukraine and Belorussia of a commonwealth of independent states.

In a statement read out during the evening news, Mr Gorbachev said: "The fate of the multi-national state cannot be determined by the will of three republican leaders."

He suggested that a referendum could be held on the issue.

The Soviet president denounced the assertion by the leaders of the three Slav republics that the Soviet Union had ceased to exist, saying it was "illegal and dangerous and can only boost the chaos and anarchy in society".

ON PAGE 3
- Baker to urge central control of nuclear weapons
- History favours Minsk

ON PAGE 18
- Commonwealth with little in common

He said there were positive aspects to the three leaders' declaration including commitment to a common defence policy. But he expressed surprise at "the haste" with which the document appeared. "It was not discussed either by the populations or the parliaments of the republics on behalf of which it was signed," he said.

Mr Gorbachev's attempt to convene the congress came after a meeting with his arch rival, Mr Boris Yeltsin, president of the Russian federation. Mr Gorbachev sought the support of Mr Nursultan Nazarbayev, the president of Kazakhstan, and leaders of other non-Slav republics to keep alive his ailing plan for a Union Treaty between the 12 republics.

A presidential spokesman said Mr Gorbachev characterised the new commonwealth as "a personal initiative" by the Russian, Belorussian and Ukrainian leaders.

Mr Gorbachev also denied, through a presidential spokesman, widespread rumours that he intended to resign.

Yet even as Mr Yeltsin, Mr Gorbachev and Mr Nazarbayev were meeting, Mr Gennady Burbulis, the first deputy prime minister of Russia, was telling journalists that the new Commonwealth of Sovereign States should be considered as the legal successor to the Union; and Mr Andrei Kozyrev, the foreign minister, was calling on all Soviet officials to recognise the switch in authority and not to impede it.

Mr Kozyrev, attempting to calm the fears expressed worldwide yesterday that the end of the USSR meant the beginning of nuclear anarchy, said that "there is no threat of a spread of nuclear arms, there is no threat of destabilisation".

Mr Gorbachev was, he said, still commander-in-chief – but there was now a need for "a civilised handover".

The disintegration of the Soviet state, and fears for the safety of nuclear weapons on Soviet soil, cast a shadow over the European Community summit in Maastricht and prompted urgent talks between Britain and France, the community's two nuclear powers.

The Community decided to send a special envoy to the three republics later this week to clarify the constitutional, political and other issues raised by Sunday night's declaration that the commonwealth based in Minsk would replace the old Soviet state.

The US also plans to press the republics of the Soviet Union to keep its nuclear weapons under a single, central command. Mr James Baker, the US secretary of state, is expected to urge the leaders of the three republics to preserve central nuclear control when he visits Moscow, Minsk and Kiev next week.

The leaders of the three republics agreed at the weekend to share control over nuclear weapons under the aegis of their newly-formed commonwealth, Mr Leonid Kravchuk, the Ukrainian president, said yesterday.

"The black suitcase should be in three hands," said Mr Kravchuk. "The buttons will be connected and they will be effective only if all three are pressed. The level of safety will actually be much higher."

The statement on the formation of the commonwealth pledged all three member states to ridding themselves of nuclear weapons. Mr Kravchuk's proposal, however, appears to envisage a relatively prolonged period in which they would retain their weapons – and in which a communications and control system would be needed to allow all three men in capitals hundreds of miles apart to co-ordinate their response to a nuclear threat.

Banks stand to lose £750m over £1.5bn loans to MCC

By Robert Peston in London

BANKS with loans to Maxwell Communication Corporation face total losses of £750m ($1.33bn) – bigger even than the expected losses on loans to the Maxwell private companies – according to bankers with a close knowledge of the media group's problems.

The potential losses are likely to be crystallised in the next few weeks, when MCC is expected to ask its banks to convert 50 per cent of their loans to the media group into preference shares, as part of a reconstruction plan to keep the company out of receivership.

The media group owes £1.5bn to its banks. The biggest lender is Credit Lyonnais, the state-controlled French bank, whose exposure is estimated at £150m. Other substantial lenders are Swiss Bank Corporation and Swiss Volksbank – with exposures of $100m and $73m – and Credit Agricole of France. Also involved are Barclays – with a loan estimated at £50m – and four US banks: Bank of America, Bankers Trust, Chase Manhattan and First National Bank of Chicago.

ON PAGE 20
- Maxwell family assets frozen, Kevin and Ian ordered to surrender passports

ON PAGE 26
- More Maxwell companies plan management buy-outs

If banks convert their debt into equity, they will make substantial provisions to recognise that their loans are unlikely to be repaid fully. These provisions – which will be deducted from banks' profits – could be equal in value to the converted debt, or £750m, according to bankers. To put it another way, the banks face £750m losses on their MCC loans.

But the banks have been warned by MCC that it would be highly damaging to their interests to put the company into receivership.

The bulk of MCC's debt is a $2bn facility repayable in 1992 and 1994. This is unsecured, so banks will rank alongside all other creditors if the company is wound up. The banks will only be offered a charge on MCC's assets if they agree to convert their debt into shares.

The outlook is even worse for shareholders in MCC. Trading in the shares was suspended a week ago at 35p, at the request of the company and its bankers. That valued the company at £226m – down from £1.5bn in mid-April.

"Those shares are now worthless," one banker said. As part of a reconstruction, shareholders are likely to be offered warrants, convertible into new MCC shares in several years.

Banks said yesterday they would only agree to such a refinancing on condition that the MCC board of directors is changed. In particular, they want a new chairman and chief executive. The current chairman is Mr Peter Laister. Continued on Page 20

CONTENTS

Agriculture secretary with a polished unpretentiousness

The humorous demeanour of Edward Madigan, the latest of 24 US agriculture secretaries, belies his promise to Congress to be "mean as a junkyard dog" in his Uruguay round negotiations

Page 30

MARKETS

STERLING
New York: $1.811
London:
$1.8065 (1.7935)
DM2.8425 (2.85)
FFr9.7200 (9.7375)
SFr2.5125 (2.525)
Y232.00 (230.75)
£ index 90.70 (90.6)

GOLD
New York Comex Feb $371.6 (370.0)
London: $370.70 (364.75)

N SEA OIL (Argus)
Brent 15-day Jan $18.25 (19.30)

Chief price changes yesterday: Page 21

DOLLAR
New York:
DM1.5715
FFr5.389
SFr1.3895
Y128.28
London:
DM1.5740 (1.589)
FFr5.3800 (5.43)
SFr1.3910 (1.4075)
Y128.40 (128.70)

Tokyo close: 128.18

US RATES
Fed Funds: 4¼%
3-mo Treasury Bills: 4.231
Long Bond: 102⅜
yield: 7.788

STOCK INDICES
FT-SE 100: 2409.6 (+20.9)
FT-A All-Share: 1156.61 (+8.12%)
FT-SE Eurotrack 100: 1039.46 (-1.92)
FT-A World Index: 141.85 (-0.2)
New York lunchtime
DJ Ind. Av. 2,871.65 (-14.75)
S&P Comp 378.26 (-0.84)
Tokyo: Nikkei 22,459.17 (-210.27)

LONDON MONEY
3-month interbank: 10$\frac{11}{16}$ (10$\frac{11}{16}$)
Liffe long gilt future: 95$\frac{11}{32}$ (Dec 9

Weaker economies are certain to lag in the rapid progress to a single money for the European Community

Tiers on the road to an EC currency union

By David Buchan and David Marsh in Maastricht

ECONOMIC and monetary union (Emu) will end in tiers – at least two of them. This seemed inevitable after Community finance ministers pronounced themselves in favour of speedy and irreversible movement to a single currency which would definitely come into existence by January 1 1999, if not earlier.

Such rapid movement is certain to leave weaker economies out of the first tier of countries jumping into currency union. The irreversibility will come from the clear majority verdict that there should be no general let-out clause allowing any country to escape its commitment to Emu.

Instead, there will be special protocols, permitting Britain to decide later on adopting a single currency and Denmark to hold a late-1990s referendum on the issue.

The other 10 EC states will have only one "bite at the Emu cherry", when their parliaments decide whether to ratify the Maastricht treaty next year. For them, "everyone who says yes to the treaty has said yes to subsequent changes, including a single currency", said Mr Wim Kok, the Dutch finance minister.

But what really picked up steam here is the idea that the fateful Community summit decisions in the late 1990s on launching Emu should be taken by majority.

EC leaders had a first go yesterday morning at deciding the transition to the final stage of Emu. President François Mitterrand of France and Prime Minister Giulio Andreotti of Italy urged their colleagues to fix a date for currency union – and Chancellor Helmut Kohl concurred, with the all-important proviso for Germany that strict economic criteria on budget, inflation and currency discipline should be respected.

THE SUMMIT

DAY 1

They then left the matter to finance ministers to settle, which the latter did in no uncertain terms. With the UK and Danish finance ministers sitting silently by, the other 10 ministers agreed a plan to be put to EC leaders.

Under this plan:

- Before the end of 1996, an EC summit (or European Council) shall decide whether to launch Emu by qualified majority (which can be composed of as many as nine countries, depending on the way countries cast their weighted votes).

Any decision in 1996 to set up Emu would require that a simple majority of EC states must meet the economic criteria for Emu, so that there is a "critical mass" of countries forming the new currency union.

At present, such a simple majority would be seven out of 12. But if the economies of Austria and Sweden, which have applied for EC membership, enter the Community in the mid-1990s, there could be a majority of countries (eight out of 14) fit for Emu, but which did not include, say, Italy.

- If Emu does not get the green light by the end of 1997, "the third stage will start on January 1 1999", according to the statement agreed by the ministers.

At this point, the only thing which EC leaders have to do is to hold a summit before mid-1998 which will, again on a qualified majority, "confirm which members states fulfil the necessary conditions for the adoption of a single currency".

In contrast to the requirements for the 1996 decision, there would be need for a "critical mass". The reason, Mr Kok said, was that "we don't want to lose momentum, to be stuck for another 10 years with only six countries qualifying for Emu".

Crucial backing has come from Germany, one of whose officials explained yesterday: "We want to avoid at all costs the possibility that [economically] unserious countries could form a blocking minority which would hold up Emu."

Mr John Major, the UK prime minister, expressed fears about the disruptive effect of "too small a group" of countries entering Emu. Seeking to turn pro-Emu arguments against their proponents, Britain argues that, if participants in Emu were to see their inflation come down and economic performance pick up as a result of using a single currency, then the gap between them and those still outside Emu would widen.

Completing the ironic role reversal, Mr Kok retorted that such an argument, coming disingenuously from the UK, exaggerated Emu's immediate benefits.

The appearance of a firm final date for Emu, linked to majority voting, is bad news for Britain's case. A UK spokesman quipped that "the dates may end up as fig-leaves" to please the proponents of moving to Emu quickly. He pointed out that countries would still have to meet a rigorous economic test to enter Emu.

The UK remains most concerned about getting its specific let-out clause. Both the UK and Mr Kok dismissed President Mitterrand's suggestion – denied by French spokesmen but confirmed by others – that there should be a time-limit on Britain's exemption from Emu.

Mr Kok said officials were already working on the wording of the British protocol, and predicted it would not contain any time-limit.

Germans press for central bank in Frankfurt

By David Marsh

THE Bonn government is hardening its insistence that the future European central bank (ECB) be sited in Frankfurt, senior officials from the German delegation said here yesterday.

Its position is directly linked to a surge of anxiety in the country's press and public opinion about a premature abandonment of the D-Mark as part of moves to European monetary union.

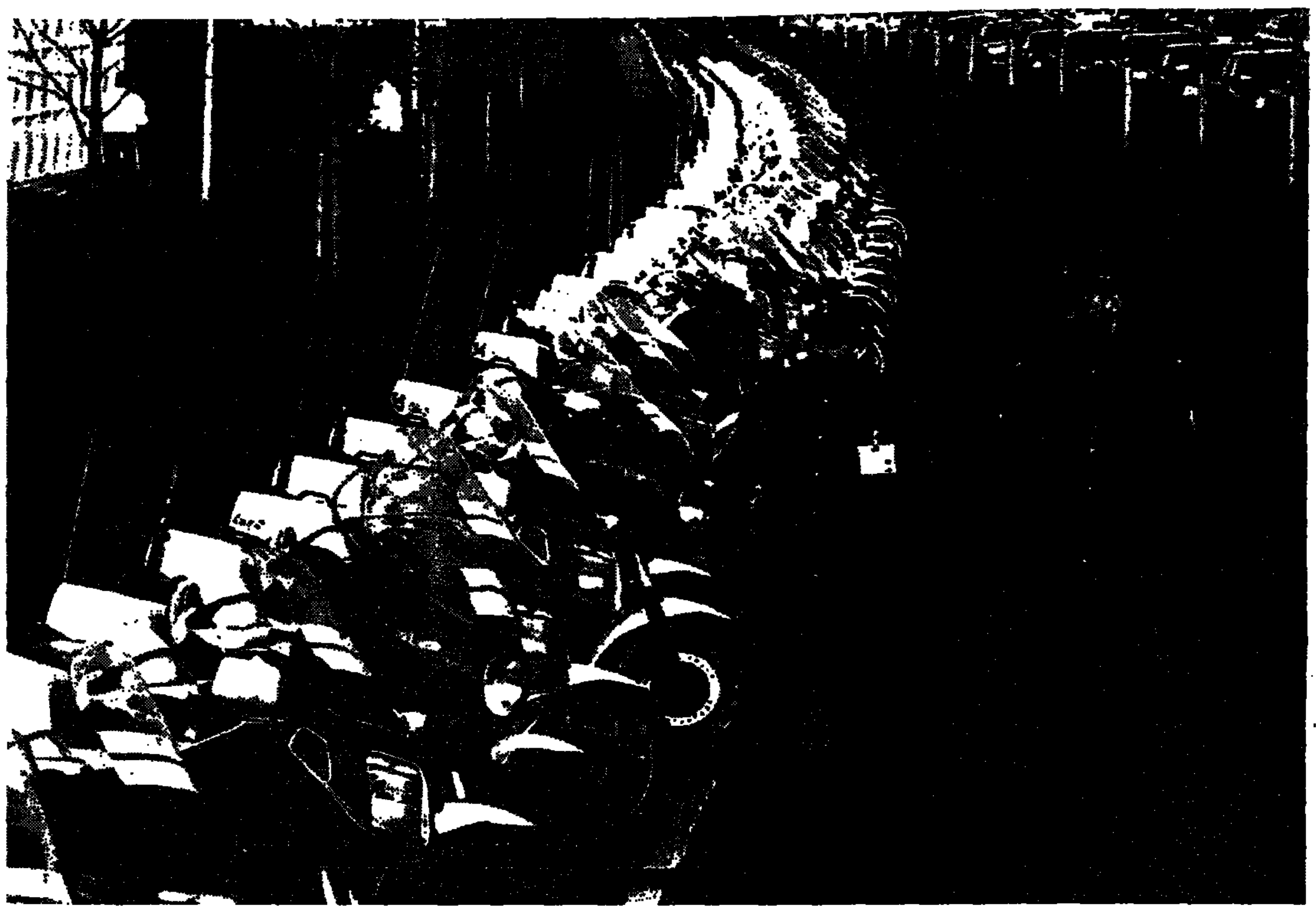
A German official said yesterday that the sudden worries about the stability of the currency made it imperative that Chancellor Helmut Kohl brought the bank to Frankfurt to reassure public opinion that Germany was not loosening its anti-inflation priorities. "It's a time bomb which could explode under Kohl," he said.

The German stance could torpedo a potential compromise agreement that the ECB should be based in Amsterdam. Mr Jacques Delors, the European Commission president, has been hoping that the Dutch city would be given approval as part of horse-trading by France, Belgium and the Netherlands, leading to endorsement of Strasbourg as the home of the European parliament.

Settling the ECB site remains one of the key points still open in the monetary union treaty. The issue has so far been allocated hardly any time in overall Emu bargaining. Mr Delors is against putting the bank in either of the EC's three main financial centres – London, Paris or Frankfurt – because of the infighting that could engender.

Mr Kohl and his spokesmen have been trying in recent days to brush aside as "misinformed" and "unfounded" press articles about the implications of Emu for currency stability. However, a second German delegation member admitted that Bonn was seriously concerned about the issue. Referring to recent shrill headlines in Bild, Germany's best-selling daily newspaper, warning against giving up the D-Mark, one official said yesterday: "The Chancellor cannot ignore this. He knows the power of the Bild Zeitung."

Underlining the way that the Bonn government is closely co-ordinating its Emu policies with the Bundesbank, a senior official from the German central bank, Mr Peter-Wilhelm Schlüter, is present as an observer in the German delegation.



Two policemen pass a line of escort motorcycles near Maastricht's Provinciehuis yesterday. Police were later involved in clearing traffic turmoil in the city caused by about 1,000 Croatian demonstrators demanding EC intervention to help bring an end to the Yugoslav civil war

Cohesion becomes less of a sticking point

By David Gardner in Maastricht

SPAIN'S strenuous efforts to extract treaty commitments from its partners, guaranteeing fiscal transfers from the rich EC core to the poorer member states, appeared to be deflected yesterday.

The European Commission, which took Spain's side after Madrid threatened to veto the new treaty unless it got satisfaction, was trying to forge a compromise between the Spaniards and Germany, the EC's main paymaster.

Before heads of government addressed the issue last night, however, a senior Commission official acknowledged that "it will be very difficult to get [commitments] into the treaty".

Spanish officials continued to insist that there could be no treaty without their central demands being met.

Yesterday's negotiations followed talks late on Sunday night between Mr Felipe Gonzalez, the Spanish premier, and Chancellor Helmut Kohl.

Mr Gonzalez, who has sold the "cohesion" demand inside Spain as Madrid's *sine qua non* for economic and monetary union (Emu) and political union, said he was "reasonably satisfied" with Germany's response.

The Spanish government wants clauses in the treaty creating a new "cohesion fund" to help poorer states prepare for currency union.

Spain wants clauses in the treaty creating a new "cohesion fund" to help poorer states prepare for currency union. It also wants to ensure that the EC budget is adequately supplied by progressive taxation levied according to the "relative prosperity" of member states.

"There can be no route to Emu without an instrument in the treaty which guarantees cohesion," Mr Carlos Solchaga, Spanish finance minister, told his colleagues yesterday.

Spain, along with Portugal, Ireland and Greece – whose per capita income is at or below about three-quarters of the EC average – and Italy's south, France's Massif Central, Germany's east, and the UK's north-east, Scotland, and Northern Ireland, receive EC aid from the five-year, Ecu63bn (£45bn) structural funds intended to help laggard and industrially declining regions catch up.

But Spain claims it will become a net contributor to the EC budget from 1993, when its economy comes under all the strain of meeting the tight fiscal and monetary targets set for Emu.

Chancellor Kohl, while described by German officials as sympathetic to Spain's case, strongly disputed its figures.

He said Germany would be contributing a net Ecu9bn to the budget next year – as well as bearing the unprecedented strain of completing reunification – while Spain would be a net beneficiary by Ecu3bn.

German officials say Bonn would consider an environment fund to help southern countries meet EC "green" standards, but was unlikely to accept even a compromise proposed by Belgium and Italy that Spain's demands be covered by a protocol appended to the treaty, similar to Britain's "opt-out clause" on Emu.

Less than a protocol would represent a potentially damaging political climbdown for Mr Gonzalez, even if the non-binding "declaration" favoured by Germany referred in some detail to the budget and cohesion package the Commission is preparing for next year.

This package is due out in mid-January, and to go to a special summit planned for Lisbon in May. This would include:

- a cohesion fund, to which the new German Länder would have access;
- perhaps as much as a doubling of the structural funds;
- an increase in the overall budget from 1.2 to 1.4 per cent of EC gross domestic product, rising to 1.6 per cent by 2000;
- an environment fund, possibly part-funded from the proceeds of a new carbon and energy tax the Twelve are to discuss on Thursday;
- soft loans for intra-regional and cross-border transport and infrastructure links.

Plans for an "industrial restructuring fund" have been dropped, a senior Commission official said, and are likely to be replaced by a refocusing of the existing "social fund" for training, by targeting it on investment and retraining.

The Commission yesterday tried to get this into the treaty.

Lubbers puts faith in social policy compromise

By David Buchan

MR Ruud Lubbers, the Dutch prime minister hosting the EC summit, had a compromise plan on social policy tucked in his pocket last night with which he hoped to win over the UK without angering too many of its partners.

An item-by-item reading by EC leaders of the planned treaty yesterday afternoon skirted the sensitive subject of social policy, which is apparently to be left to the closing stages of the summit.

But Dutch officials confirmed that the thrust of Mr Lubbers' idea was to move certain areas of EC labour market regulation in the draft treaty so that they were dealt with by unanimous rather than majority vote in the Council of Ministers.

One area which might be covered by this shift involves EC rules requiring employers to inform and consult their workers on business decisions.

Another sop to the UK, Dutch officials said, might be to make clear that social security systems would be excluded from EC competence. The present treaty draft proposes that EC regulation of social security payments should be dealt with by unanimous vote.

Some other governments, including the Dutch, share British hostility to Brussels' initiatives in this sensitive area, as shown in the Council of Ministers' recent rejection of a Commission plan to give pregnant women 85 per cent of normal pay on their maternity leave.

Mr Lubbers is reported to have lined up behind his compromise plan the five EC leaders – of Belgium, Germany, Greece, Italy and Luxembourg – who, like him, are in the Christian Democrat stable. The Dutch presidency's apparent hope is that the concessions would give Mr Major a deal he could sell to his Conservative party and the House of Commons, without enraging socialist leaders like President François Mitterrand of France.

Summit sound-bites

"On my part, I assure you that I am prepared to make a contribution by sacrificing my head on our coinage to the Ecu," **Queen Beatrix of the Netherlands, at a lunch with EC leaders.**

"If in 1997 a date for the passage to the third stage [of Emu] is not established, this will happen on January 1, 1999. There will be no more discussion," **Pio Mastrobuoni, spokesman for Italian prime minister, Mr Giulio Andreotti.**

"The commitment is now, and it is irreversible," **French presidential spokesman Jean Musitelli.**

"I think it will be a big step toward the completion of the European Community," **European economics commissioner Henning Christophersen.**

"Britain cannot accept a commitment irrevocably to move to a single currency," **UK chancellor Norman Lamont on BBC radio.**

"You cannot find a compromise between 'yes' and 'no'," **Wim Kok, Dutch finance minister.**

"The most important thing is that it is clear at the end of this meeting. . . . that what we are doing now is irrevocable. On the way to political union we are now crossing the Rubicon. There is no going back," **Chancellor Helmut Kohl of Germany.**

"Parliament has no desire to be an onlooker in a Community devoid of enthusiasm. On the contrary, it wishes to be one of the key actors. . . ." **Enrique Baron Crespo, president of the European parliament.**

"An overwhelming majority is for some kind of majority voting," **Piet Dankert, Dutch European Community affairs minister**

"We do not want QMV on CFSP," **British official succinctly expressing UK reservations about qualified majority voting on common foreign and security policy.**

"Upon this scheme there can be no blessing. It is doomed and damned," **Ian Paisley, leader of Northern Ireland's Democratic Unionist Party and member of the European Parliament, on federalists trying to rebuild the Tower of Babel.**

Major approaches moment of truth on British concessions to partners

By Philip Stephens, Political Editor, in Maastricht

YESTERDAY was the time for tough talking. Today Mr John Major must take the tough decisions.

The opening day of the Maastricht summit underlined with uncomfortable clarity the concessions that will have to be made if Britain, as the prime minister has promised, is to be kept close to the heart of Europe.

For the most part it was an occasion when Mr Major and his European counterparts formally staked out yet again the ground which foreign and finance ministers have scarred with trenches over the past year. But the deal on a firm date for economic and monetary union struck by 10 of the 12 was an unsettling signpost to the outcome.

More should emerge this morning after concessions have been thrown into the overnight drafting sessions which have evolved as the essential instrument of European summitry. Mr Major will be making his contribution.

But, for the opening skirmishes, he chose the defensive language of the Commons rather than the soothing rhetoric of European partnership.

Conscious perhaps that Mrs Margaret Thatcher and Mr Norman Tebbit might be glued to their television sets at home, he insisted that there was "no possibility whatsoever" of a deal on a single currency unless Britain had the right to opt out. As for the Social Chapter in the political union treaty, Mr Major listed in detail his calculation of the costs in terms of lost competitiveness and jobs. It was not a matter of ideology, he stressed, but of an appreciation that the industries of Japan and America not the workers of Europe would be the beneficiaries.

Japanese and American industries, not the workers of Europe, would benefit from the Social Chapter, said the UK premier

Overall the British delegation was diligently detailed in its critiques of the draft treaties. Mr Major could deal confidently with technical clauses that one suspected other leaders had not bothered even to read. At one point his counterparts were baffled by an exposition of the Bank of England's debt-raising techniques.

Yet his team seemed as bemused as ever that the rest of Europe could forsake so nonchalantly the legalistic devotion to detail that so possesses the British establishment.

President François Mitterrand, we were told, was in "visionary" mood. He was joined by others in attacking Mr Major's insistence that a European defence identity must remain the servant of Nato.

At first glance Chancellor Helmut Kohl, much courted by Mr Major over the past 12 months, made the right noises about the need for economic convergence as a precondition for a single currency.

Yet, free of the bureaucratic baggage which so weighs down the prime minister, the chancellor appeared ready to acquiesce in the inherent contradiction of a treaty that will set both strict economic criteria and firm dates for the move to a single currency. Mr Kohl, it seems, prefers visions to lawyers.

So as the first round of bargaining drew to a close it was evident that the price Mr Major has paid for his opt-out provision is an acceptance that the others are committed to move – by majority vote – to a single currency in 1997 or 1999. Mrs Thatcher, so hostile to any deal on monetary union, will have much to say on the subject.

The prime minister will have to make other concessions. The shape of some – on majority voting to implement joint foreign policy decisions, on greater competence for the Community over decisions affecting the environment, health and education, on the European parliament – were emerging late yesterday.

The social provisions are more intractable. The prime minister cannot betray the Thatcherite revolution which tamed the trade unions. Those who saw him in the conference room said that the issue might still wreck the summit. But if deals are struck elsewhere, Mr Major cannot tell the British voters that he has vetoed the enterprise in defence of inferior working conditions.

A fudge will have to be found. For Mr Major it will be a tough day.

Just another invasion for phlegmatic Maastricht

By Ronald van de Krol

MAASTRICHT is destined to be famous whatever the outcome of the huge political jamboree which formally got under way here yesterday.

It will be remembered for "either the treaty of Maastricht or the failure of Maastricht," according to Mr Klaus Gretschmann, a German who teaches at the city's European Institute of Public Administration.

The two-day summit could, from Maastricht's point of view, just as easily be described as an invasion.

The ancient walled city, settled by the Romans in 50 BC, has already undergone 21 sieges – by the Prussians, the Habsburgs, the Spanish and the French – in its 2,000-year history.

This time, however, the the event is a dream come true for the city of 117,000 at the cross-roads of the Netherlands, Belgium and Germany which is keen to promote itself as "a European metropolis". For months, headline writers from London to Athens have splashed its name across their pages.

In 1981, the Netherlands' southernmost city also played host to an EC summit but that was a relatively low-key affair, dominated by obscure arguments about the European budget and fishing rights. Yet the publicity generated by that event has helped Maastricht persuade two dozen Europe-related institutions to set up shop within the city limits.

Its citizens are taking the extra traffic and the road diversions in their stride.

Mr Bert Bos, a Maastricht native, surveying the rolls of barbed wire separating the conference site from the road, remarks dubiously: "It doesn't feel like our city any more. It's been taken over." But then his Dutch practicality re-emerges: "All this publicity and fuss is good for the city, I suppose."

The city has put 2,000 police on to the streets. Police boats patrol the waters along the river-bank conference site, following up the bomb checks carried out earlier by police frogmen.

Even at 1.30am yesterday, the two main hotels housing delegation representatives were cordoned off with metal barriers manned by police. "We don't want the Dutch to get the blame if something goes wrong," said one policeman apologetically.

The old town of Maastricht, well used to repelling invaders, is insulated from the summit, which is taking place in Province House, the capital building of the province of Limburg, across the river Maas, or Meuse, in the new administrative neighbourhood of Randwyck.

Residents living along the 400 yards between Province House and the press centre have been issued with badges so they can get into their own homes.

Still, the self-styled Euro-city of Maastricht is well aware of the Euro-summit taking place on its outskirts. Shops in the old city have festooned their windows with blue European banners sporting the 12 yellow stars of the European flag.

There has been a series of special European exhibits and lectures, and a firework display was scheduled last night.

In a further Euro-concession, the Netherlands' normally strict shopping hours have been liberalised for the occasion, enabling summiteers and other visitors to browse until 9pm last night.

As on any other day of the week, payment is gladly accepted in Dutch guilders, Belgian francs, D-Marks or practically any other European currency – the city is not about to wait for the birth of a single European currency to capitalise on its location or new-found fame.

Cohesion becomes less of a sticking point

By David Gardner in Maastricht

The Spanish government wants clauses in the treaty creating a new "cohesion fund" to help poorer states prepare for currency union.

EUROPEAN NEWS

Focus switches to nuclear arms in wake of Slav republics' declaration of a commonwealth

Baker to urge central control of N-weapons

By George Graham in Washington

THE US plans to press the republics of the Soviet Union to keep the crumbling empire's nuclear weapons under a single, central command.

Mr James Baker, the US secretary of state, is expected to urge the leaders of Russia, Belorussia and Ukraine to preserve central nuclear control when he visits Moscow, Minsk and Kiev next week.

The White House yesterday denied reports that the US planned to ask for all nuclear weapons to be moved to the territory of the Russian republic as the best way of keeping them under tight control.

"That's something for them to decide, but all we have said is that we think their safety can best be provided for through a unified command," said Mr Marlin Fitzwater, the White House spokesman.

Mr Fitzwater said that the declaration by Russia, Belorussia and Ukraine of a new "commonwealth of independent states" appeared to reflect the principles that the US has said will determine its policy towards the collapsing Soviet Union, including self-determination, democracy, respect for human rights and respect for international law and treaty obligations.

He added that President Boris Yeltsin of Russia had assured President George Bush on Sunday that the nuclear weapons were in control.

Mr Baker had acknowledged on Sunday that "the Soviet Union as we've known it no longer exists", but said that there would continue to be efforts to maintain "some sort of a centre". US officials would like to maintain some role for Soviet President Mikhail Gorbachev but were uncertain yesterday what, if anything, this might be.

Concern over the fate of the huge nuclear arsenal has dominated the US approach to the break-up of the Soviet Union.

While strategic nuclear weapons are stationed in only four of the Soviet republics – with most in Russia – tactical nuclear weapons are thought still to be present in nine republics.

Little in common, Page 18

US officials have been worried about whether the emerging republics would carry out the arms reductions promised by the Soviet Union both in the Strategic Arms Reduction Treaty and more recently when President Gorbachev promised to match unilateral cuts proposed by President Bush. They have also been worried that the collapse of central authority in the Soviet Union could create the potential for nuclear conflict.

So far, US analysts say they believe Soviet nuclear weapons have been kept under control, and that the move by several republics to assert their own veto power over missiles on their territory has added an extra layer of security.

"It all adds up to something that should be acceptable, because it adds a political layer of negative control against use, and doesn't create any additional positive control," said Dr Bruce Blair, a specialist in Soviet nuclear command structures at Washington's Brookings Institution.

'The black suitcase should be in three hands'

By Chrystia Freeland in Kiev

THE leaders of the three Soviet republics, Russia, Belorussia and Ukraine, agreed at the weekend to share control over nuclear weapons under the aegis of their newly formed commonwealth, Mr Leonid Kravchuk, the Ukrainian president, said yesterday.

"The black suitcase should be in three hands," said Mr Kravchuk. "The buttons will be connected and they will be effective only if all three are pressed. The level of safety will actually be much higher."

Mr Kravchuk said that although the central government was to be deprived of control, there would be only one command centre, in Minsk, controlled by the nascent commonwealth's headquarters.

Mr Kravchuk said he did not expect Mr Gorbachev to give up his black suitcase, or his country, without a struggle, but he predicted a long political battle.

He insisted that, apart from controlling nuclear arms, the powers of the new association would be strictly limited: "This union will not take any decisions. It is only a co-ordinating organ." The authority of the association is likely to be a fiercely contested issue as the more independence-minded Ukraine struggles with Russia and Belorussia which want closer ties between republics.

Mr Kravchuk said: "There was an event in the Ukraine which shook the whole world – our referendum and our independence. Yeltsin and Shushkevich [the Belorussian leader] understood that to live together with Ukraine they needed to find an alternative to the union. This alternative was the commonwealth."

The glory that was Moscow: workers yesterday take down a Red Square poster marking the 50th anniversary of the Battle of Moscow

EC to press Ukraine on policies

By Robert Mauthner in Maastricht

THE European Community is to send a special envoy this week to the Ukraine and possibly also to Belorussia and Russia, which joined the republic in the foundation of a commonwealth of Slav states at the weekend.

The move comes as Britain, France and the US prepare to formulate a joint approach to the crisis provoked by the disintegration of the Soviet Union.

A Luxembourg foreign ministry official said yesterday that Mr Christian Kroener, Dutch ambassador-at-large, would start his mission on Thursday. "The idea of the 12 [EC states] is that the Ukraine display in public that it is prepared to respect former commitments," the official said. He added that the EC was drawing up a declaration on the Soviet Union which would be ready for publication today.

Contacts between officials of the three western nuclear powers, Britain, France and the US, took place in Paris last week and the Slav states' declaration has added urgency to the proposed western move.

Mr John Major, the British prime minister, and President François Mitterrand of France were yesterday due to discuss the future shape of the Soviet Union in the margin of the EC summit in Maastricht.

Yesterday, Britain decided to send one of its most senior diplomats, Mr Len Appleyard, political director at the Foreign Office, for talks with leaders of the three breakaway republics. Mr Appleyard will go respectively to Moscow, Kiev and Minsk on Thursday.

Mr Major's private secretary, Mr Stephen Wall, has also had consultations with Mr Brent Scowcroft, the US national security adviser.

The French government, which was the first to propose the initiative, has been particularly anxious that the Soviet Union's disintegration should not lead to uncertainty and instability in the control of nuclear weapons on former Soviet territory. Though Britain did not at first endorse the French proposal, the UK government has come round to the need for urgent action.

British officials said they were partially reassured by declarations from the leaders of the three independent republics on their intention to ensure proper control of the former Soviet Union's nuclear arsenal and to respect the provisions of recent east-west agreements cutting nuclear and conventional forces.

The republics also undertook to observe international human rights and debt repayment obligations.

Although the French have been most anxious to secure an east-west negotiation to guarantee the control of nuclear weapons, it appears Paris does not have a ready-made solution. Yesterday, a French presidential spokesman said the government was thinking that a nuclear negotiation should include representatives both of the republics and of the central Soviet authority.

Soviet interest payments to continue

By David Waller in Frankfurt

THE bank which services Soviet foreign debt is seeking to postpone capital repayments for the first quarter of next year for 90 days but plans to continue interest payments on all its outstanding debt.

This follows an announcement from Vnesheconombank last Wednesday in which it said in general terms that it would suspend repayments of principal on the $84bn (£47.4bn) of Soviet debt.

The negotiating position of Vnesheconombank – which is in effect an attempt to "roll over" repayment of principal, emerged yesterday at a press conference given by Commerzbank, Germany's third largest bank and a party to the talks between creditor banks held in Frankfurt last Friday.

Mr Martin Kohlhaussen, Commerzbank's chief executive, said that the talks – co-ordinated by Deutsche Bank, Germany's largest bank – had so far covered only preliminaries and were handled by bank executives at below board level. As a result, the bankers have not yet formulated a response to the Soviet position. Mr Kohlhaussen said the discussions, believed to have lasted until early Saturday, will resume next Monday in Frankfurt.

"It must be said that the Soviets want to maintain their creditworthiness and their access to international credit markets," Mr Kohlhaussen said. However, Commerzbank, until now sanguine about the outlook for repayments, is dropping its resistance to the idea of making provisions against its Soviet exposure.

Absence of black marks in history favours Minsk

Anthony Robinson on the Slav states' headquarters

MINSK, the capital of Belorussia, has one great advantage as the new headquarters of the nascent commonwealth of independent states which has replaced the old Soviet Union – it is not Moscow, St Petersburg or Kiev.

It has been chosen by the three founder states of the new commonwealth because of its relative insignificance, rather as post-war west European politicians chose Brussels over grander cities as the capital of the European Community.

The city may yet develop as the Brussels of the east. The example of the European Community as a voluntary association of sovereign states has had a powerful influence on the founders of the commonwealth. New institutions and international bureaucracy will be needed if it is to play its role as co-ordinator of economic and foreign policy and monitor of the phased reduction in military forces and nuclear and conventional arms.

Moscow was ruled out as headquarters of the as yet ill-defined political entity because that would have evoked fears of a revival of the now-excoriated Russian-dominated "centralism" of the Soviet period. To have chosen St Petersburg, the pre-revolutionary capital of Russia, would have revived memories of earlier Tsarist imperialism. On the other hand, Kiev would have been unacceptable to Russians for whom it is not just the capital of present-day Ukraine but the cradle of the Slav civilisation destroyed by the Mongol invasion of the 13th century.

Minsk has none of these emotional historical connotations. Twinned with Nottingham since 1956, it is a flat industrial city and agricultural centre of 1.5m people with few pretensions. The city and its industrial suburbs were largely destroyed during the second world war and re-built in monolithic Stalinist style. Its most famous product is the Belarus dumper truck, the ubiquitous workhorse of Soviet open-cast mining.

For westernisers, the choice means moving a decision-making centre nearer western Europe. The signing of association agreements with Czechoslovakia, Hungary and Poland later this month will bring the EC's influence up to the Belorussian border. But emphasising the European nature of the three Slav states may be less attractive to the central Asian republics whose own attachment to the commonwealth has yet to be decided.

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EUROPEAN NEWS

La Cinq feels pinch in French TV downturn

Alice Rawsthorn on the station's battle for survival

THESE days the scene at La Cinq, the ailing French television station, looks suspiciously like the script of one of its schmaltzy films as the company struggles for survival against a backdrop of disaffected staff and disgruntled shareholders.

La Cinq, launched in 1986 as part of the French government's plan for television deregulation, is in trouble. The station, on course for losses in excess of FFr800m (£82m) this year, is desperately trying to cut costs. Mr Yves Sabouret, president, is putting the finishing touches to a survival package – to be announced next Tuesday – which could involve up to 250 redundancies from a staff of 700.

La Cinq is not the only French television company to be in difficulty.

The economic slowdown is posing problems for all commercial channels. Only two stations – TF1, the largest of the mainstream channels, and Canal Plus, the pay-TV format – made money last year.

This year the position of the others is more precarious, a scenario which has fuelled speculation about La Cinq's future. It has also rekindled rumours about a possible merger between Antenne 2 and FR3, the two state-owned stations.

The plight of the French TV companies has been accentuated by the recession, but it is really the legacy of years of upheaval within the television sector.

In the mid-1980s the French government embarked on an ambitious deregulation programme intended to expand the choice of channels and to bring private investment into the sector. This involved the launch of Canal Plus in 1984 and of La Cinq two years later, the privatisation of TF1 in 1987 and the introduction of M6 in 1988.

TV's ADVERTISING SHARE (FFr m†)

	Total	TV
1986	30,865	5,890
1987	35,775	8,000
1988	41,320	10,160
1989	46,715	11,525
1990	50,763	12,600
1991*	50,984	13,292
1992*	54,900	14,484
1993*	58,484	15,644

Source: Zenith Media Worldwide. † At current prices. * Estimate

Initially this expansion had a positive effect by offering new outlets for TV advertisers, thereby increasing the pool of advertising revenue. French television advertising showed real double digit growth every year between 1985 and 1988 according to Zenith Media, part of the Saatchi & Saatchi advertising group.

But even in the days when advertising was buoyant, the TV stations were scrambling for audience and revenue. This is partly because, although the French government was willing to use privatisation as a financial mechanism for expanding the television system, it was not prepared to cede control of programming quotas and advertising regulation to the private sector.

As a result there are still strict controls over advertising and tight restrictions over the proportion of imported programming on French television.

Ms Rebecca Winnington-Ingram, European media analyst at the Morgan Stanley securities group in London, estimates that the import restrictions alone add as much as 20 per cent to programming budgets.

These financial pressures have intensified since the start of the year, when the advertising market started to slow. Television revenue rose by just 2.7 per cent during the first half of 1991, against growth of 9 per cent to FFr12.6bn in 1990. TF1 has continued to increase its share of the market, as has M6. The other stations have lost share, with La Cinq faring worst.

Unlike M6, which has been steadily gaining ground as a low-cost "niche" station, La Cinq is positioned as a mainstream channel, competing directly against the powerful TF1. So far TF1 has trounced it with 44 per cent of the audience, against La Cinq's 11 per cent.

La Cinq was in difficulty last year, but was rescued when Hachette, the media group, increased its holding. Since then the channel has cut costs with an inevitable effect on programme quality; it is often upbraided for showing pornographic programmes at prime time. La Cinq's audience share fell from 12.5 to 11 per cent in the first half of this year, making it even more difficult to attract advertising.

This time it is difficult to envisage another shareholder riding to the rescue. The two biggest investors – Hachette and Mr Silvio Berlusconi, the Italian media mogul – already have the maximum 25 per cent holdings allowed under French law.

The only option for La Cinq is to cut costs yet again and struggle on.

E German industrial output rises

By Andrew Fisher in Frankfurt

INDUSTRIAL production in east Germany picked up sharply in September over August but was still well down on last year.

Mr Jürgen Möllemann, economics minister, cautioned against reading too much into one month's set of figures. He said the 9 per cent rise in manufacturing output in September over the previous month confirmed that the lowest point had been reached earlier this year.

However, the improvement was also influenced by seasonal factors after the summer holiday period.

Compared with September 1990, production was down by 30 per cent after a 38 per cent yearly drop in August.

The Economics Ministry said the underlying improvement was borne out by the fact that production in the third quarter, including the main holiday period, was 4 per cent up on the second quarter.

New orders were down on both a monthly and annual basis. After a 19 per cent monthly rise in August, they fell by 16 per cent in September. Mr Möllemann said the figures had fluctuated sharply as a result of economic turbulence in east Europe.

On a yearly basis, orders were also down 16 per cent; capital goods orders dropped only 2 per cent against falls of 33 per cent in consumer goods and 25 per cent in basic production goods.

French insurers step in with Aids cash

By William Dawkins in Paris

FRENCH insurance companies agreed yesterday to pay FFr1.2bn (£122m) to compensate people infected by Aids after blood transfusions.

The agreement has reduced pressure on the embattled government over one of the most sensitive issues in domestic politics.

Only last week the Socialist administration had to scrap its original idea of levying a surcharge on damage and accident insurance policies to fund the entire FFr10bn-FFr14bn believed necessary for up to 7,000 people – of whom 1,200 are haemophiliacs – estimated by the Finance Ministry to have been infected though blood transfusions.


Edith Cresson: government forced to redraft plan

The government, facing opposition from MPs of its own party as well as from the right, had to redraft the plan, the new version of which was being debated in parliament last night. Already unpopular over other issues, the government is held to be partly responsible for the problem by allegedly allowing blood testing and cleaning methods to be delayed six years ago.

However, the Comité de Liaison de l'Assurance, the trade body for the French insurance industry, most of which is state-owned, said yesterday it would help for the sake of national solidarity.

Under the redrafted Aids scheme, the government would find the rest of the bill by cutting other parts of the state budget.

Aids compensation is expected to cost FFr3bn-FFr4bn next year alone, according to Mrs Edith Cresson, the prime minister. The Health Ministry says France has 150,000 people registered as seropositive, of whom 20,000-22,000 have contracted the virus.

The redrafted French plan would contrast with German practice, where insurance companies have so far paid full compensation for Aids victims, but has parallels with Britain, Denmark, Switzerland, Spain, Austria, Belgium and Ireland, in that their governments in different degrees subsidise those who have caught Aids from blood transfusions.

Discord over global warming treaty

EXPERTS drafting a treaty against global warming gathered in Geneva yesterday amid continuing differences over targets for cutting greenhouse gases and aid to help poor countries switch to cleaner technology, AP reports from Geneva.

The aim of the two-week meeting is to draw up a single text which would form the basis of the planned convention to be signed at a world environment summit in Brazil next June.

Mr Jean Ripert, chairman of the drafting committee, told representatives of more than 100 nations that the document would be likely to contain contradictory points of view.

One delegate said no political breakthrough was expected in the rift between the US and Europe, and between north and south.

The US administration is opposed to a treaty with fixed targets and timetables for cutting output of gases such as carbon dioxide, which contribute to the plant's warming.

It says there is nothing to link greenhouse gases to global warming.

Most other western nations have pledged to stabilise CO_2 emissions at 1990 levels by the end of the decade and want the US to do the same. Some European nations want to go further and start cutting emissions.

But a report last week by the US Energy Department said CO_2 cuts would require steep energy taxes which could more than double energy costs for Americans.

The US produces nearly a quarter of the world's CO_2, which comes from burning fossil fuels such as oil and coal.

Third world countries have proposed that targets for cutting greenhouse gases should take into account per capita emissions so far this century.

Belgian liberal to form government

By Andrew Hill in Brussels

THE youthful leader of Belgium's Thatcherite Flemish liberal party (PVV) has been asked to form the country's next coalition government.

In a surprise move, King Baudouin yesterday asked Mr Guy Verhofstadt, a 38-year-old former deputy prime minister, to take on the task of forging order out of the political chaos that followed last month's general election.

The PVV, which has been in opposition since 1988, was the only traditional party to add to its seats in parliament last month, as Belgian voters – fed up with infighting between coalition partners – switched their support to extreme right-wing and environmental parties.

Mr Verhofstadt's appointment does not necessarily mean he will become prime minister, but it backs up Belgian press speculation that a coalition might be formed between the conservative liberal parties, the socialists and possibly the green parties.

That would leave Mr Wilfried Martens, prime minister almost without a break since 1979, and his Flemish Christian Democrats in opposition.

Mr Verhofstadt, an admirer of Mrs Margaret Thatcher's economic policies, earned a reputation as a hard-nosed budget minister between 1985 and 1988, cutting the budget deficit from 12 to 8 per cent of gross national product by squeezing public expenditure.

INTERNATIONAL NEWS


Willis: government's basic strategy "appropriate"

Australian treasurer resists rate cut pressure

By Kevin Brown in Sydney

MR RALPH WILLIS, Australia's third treasurer (finance minister) in six months, indicated on his first day in office yesterday that he would resist pressure for an early cut in official interest rates in comments signaling the government's likely response to pressure for action to stimulate the economy.

However, Mr Willis also said the cabinet would review its exchange rate policy later this month or early in the New Year, raising the prospect of an attempt to devalue the Australian dollar. Mr Willis declined to comment on the value of the currency, but the review follows strong pressure from manufacturers and farmers for a reduction in its valuation against the US dollar.

The Australian dollar traded at around 81 US cents earlier this year, but has fallen below 78 cents in recent weeks following a one percentage point reduction in official interest rates to 8.5 per cent.

Mr Willis said he believed the government's basic strategy was "appropriate," and claimed there were signs of an upturn in the latest national accounts figures, which showed that gross domestic product contracted in the three months to September for the fifth successive quarter.

He said critics of the government had underestimated the impact of the substantial easing in monetary policy which has taken place since January 1990, when official interest rates peaked at 18 per cent.

"I don't see the need to rush into [cutting] interest rates every time we get a national accounts figure we don't like," he said.

Mr Willis appeared confident and competent in his first public comments as treasurer after being sworn in by Mr Bill Hayden, the governor-general, in contrast to the hapless Mr John Kerin, sacked on Friday by Mr Bob Hawke, the Prime Minister, after several embarrassing mistakes.

However, the conservative Liberal/National Party opposition said his appointment would do little to rally the government, which trails the coalition by around ten percentage points in the opinion polls.

Japanese appetite for Hong Kong

Fifty years after invasion, Angus Foster looks at more profitable links

FIFTY YEARS ago last weekend, Japanese troops invaded Hong Kong and forced Allied troops back to Hong Kong Island, where they held out until Christmas Day. While America has been commemorating its entry into the war, Hong Kong has appeared embarrassed to remember.

The anniversary was marked by low key memorials organised by the politically neutral Hong Kong regiment.

Hong Kong's difficulties confronting its past are not surprising given the uncertainty of its future. Japan plays an increasingly important role in the colony's economy and last week emerged as the biggest investor in manufacturing, ahead of the US for the first time. With business and local leaders worried about 1997, Hong Kong is clearly not ready to risk offending a leading business partner.

Japan's investment into Hong Kong has risen in line with overall investment into south-east Asia. This started in the 1960s and grew rapidly following the yen's rise from the mid-1980s which forced Japanese manufacturers to move production to cheaper centres overseas.

Asia accounted for 15.3 per cent, or $47.5bn of total cumulative Japanese overseas investment at the end of last year. Indonesia is the largest recipient, although much of the investment there is in oil and gas development.

Hong Kong has quickly emerged as the second largest destination, and Japanese companies had invested $9.85bn in the colony by the end of 1990. But while investment into countries such as South Korea and Thailand has concentrated on manufacturing, investment into Hong Kong has been centred on services.

Japan's total investment in Hong Kong manufacturing amounted to $1.25bn by the end of 1990, equal to 31.5 per cent of foreign manufacturing investment. Makers of electronics and electrical goods have been the chief investors. But this is well below investment in banking and insurance ($2.06bn), services ($1.66bn) and commercial groups ($1.53bn).

This is partly because Hong Kong's attractions as a manufacturing centre have declined as labour and land costs rise.

JAPAN'S FOREIGN DIRECT INVESTMENT ($m)

	1989	1990	1951-1990 (Cumulative)
Indonesia	631	1105	11540
Hong Kong	1898	1785	9850
Singapore	1902	840	6555
South Korea	606	284	4138
China	438	349	2823
Thailand	1276	1154	4422
Malaysia	673	725	3231
Taiwan	494	446	2731

Japan's service industries have also used Hong Kong to follow Japanese clients into south-east Asia. Some Japanese companies, such as drinks and foods group Suntory, have moved operational control for south-east Asia to Hong Kong from Tokyo. One Japanese company, retailer Yaohan International, even moved its headquarters to Hong Kong.

Japanese department stores dominate Hong Kong's shopping centres and rented over 1.5m square feet of retail space at the end of last year. As Hong Kong consumers grow increasingly affluent, they are being tempted through the doors of retailers such as Mitsukoshi and Seibu for high quality, and higher priced, goods.

Japanese banks use Hong Kong as an offshore banking centre for some services, provide loans to Japanese clients in Hong Kong and have started providing local banking services.

Hong Kong's traditional advantages, such as its location within the region, links with southern China, low tax rates and good telecommunications explain much of Japan's interest in the colony. Japanese businessmen say they also enjoy living in a thoroughly Asian city which is more outward looking than Tokyo.

This appetite for Hong Kong has been emphasised by the colony's government as proof of business confidence after 1997. Hong Kong also appreciated Mr Toshiki Kaifu, the former Japanese prime minister, stressing Hong Kong's importance to China's foreign minister in June.

But Japanese businessmen are worried about the transition from British to Chinese sovereignty and the complicated political and social problems Hong Kong faces.

Mr Minoru Kubota, Japan's consul general in Hong Kong, said the short term was "so unpredictable" and was complicated by China. "In the immediate future up to 1997 we are very cautious, looking at Hong Kong's politics, economy and everything," he said.

Hong Kong people praise Japan for its economic success and the quality of its products but remain ambiguous about Japan and its role in Asia.

Older Hong Kong residents, as elsewhere in Asia, remember Japan's behaviour during the war. Younger Hong Kong Chinese are reminded of Japanese atrocities in Nanjing, Shanghai and Manchuria through documentaries and films.

Although Japan's investment into Hong Kong's service sector and manufacturing is important, some sceptics argue service industries are moveable. Japan's investment in Hong Kong property, estimated at close to $3bn in the late 1980s, is also seen as partly speculative.

Of more significance, therefore, is Japan's investment into southern China, where economic ties with Hong Kong are progressively closer. Japanese companies, complaining about the poor legal system and infrastructure, have been slow to invest in China, lagging behind Hong Kong, Taiwan and the US.

There are some signs this is slowly changing in the south, and more than 100 Japanese companies now do business in Shenzhen, across the border from Hong Kong. Other Japanese companies are using Hong Kong as a headquarters for overseeing production in China, which is sometimes contracted out to Hong Kong-Chinese joint ventures.

"Hong Kong is playing the role of the operations centre, the logistics station for Japanese factories in China. Hong Kong provides the technical assistance, the finance and the sales office," according to Mr Hiroshi Fujiwara, deputy director general of the Japanese External Trade Organisation in Hong Kong.


Unification Church leader Sun Myung Moon (seated left) signing an investment contract with North Korean deputy prime minister Kim Dal Hyun in Pyongyang during a week-long visit

Moon's companies hit by fear of reprisals for visit to North

SHARES of businesses owned by the Unification Church plummeted yesterday on the South Korea Stock Exchange as speculation of government reprisals for a visit to North Korea by the church's founder swept the market, AP-DJ reports from Seoul.

The Rev Sun Myung Moon made an unannounced visit to North Korea last week. South Korean law bans such unsanctioned visits and market observers predict government reprisals against the church's won 1.2 trillion ($1.6bn) South Korean business holdings.

The Seoul prosecutor general's office said on Saturday that it was investigating whether a US-based Korean church leader violated national security laws by making an unannounced visit to North Korea.

Investors understood this to be a reference to Mr Moon.

The church's holdings are grouped under the Tong-Il Group, comprising 16 separate companies, of which four, Saeil Heavy Industries, Ilshin Stoneworks, Hankook Titanium Industries and Il Sung Construction, are listed on the Korean stock exchange.

All four fell yesterday and have dropped sharply since reports of the visit first emerged last week.

"There has been panic selling in these shares," a trader at Daishin Securities said.

News of the government investigation fuelled speculation in the stock market that the Seoul government had ordered government-controlled commercial banks to suspend new lending to Tong-Il businesses.

"The view in the stock market is that government officials resolved to teach Moon a lesson for such unauthorised activity, which is a bold challenge to the government policy on unification," a spokesman for Daishin Securities said.

Korean banks yesterday denied speculation about possible government involvement in their future lending decisions.

"We have yet to decide whether we will extend new credits to the group," a spokesman for Shinhan Bank, one of the group's creditors, said. "But, if we come to any decision, it will be based purely on managerial criteria, not on an order or recommendation from the political side," the spokesman added.

A manager at the Korea First Bank, another of the group's creditors, also said that no decision had been made on extending new credits to Tong-Il.

Marcos pleads not guilty on tax charge

Mrs Imelda Marcos, the former Philippines First Lady, went on trial yesterday and pleaded not guilty to tax evasion, saying the charges were government harassment, Reuter reports from Manila.

Mrs Marcos is charged with failing to pay income and estate taxes of pesos 5.7bn (£124m) and her son with evading taxes of pesos 17,004 (£370).

The cases are among 80 charges filed against Mrs Marcos by President Corazon Aquino's government.

Burma steps up restrictions on freedom

By Alexander Nicoll, Asia Editor

BURMA's military rulers have stepped up their restrictions on freedom, suppressing even the smallest expressions of dissent, according to a report by the British-based organisation Article 19, which fights censorship around the world.

The report, State of Fear: Censorship in Burma, is published today as the family of Aung San Suu Kyi, the Burmese opposition leader, accepts the 1991 Nobel Peace Prize on her behalf in Oslo. Following her campaign for the non-violent pursuit of human rights, she has been detained in her house in Rangoon since July 1989.

The report details the means by which the Burmese regime has systematically prevented its activities from being publicly discussed in Burma and known outside. "What little is known about the gross violation of human rights is sufficient to appal the world," it says.

Amnesty International, in a report on prisoners of conscience also released today, names 200 people arbitrarily arrested in the first seven months of the year, who in some cases have been jailed for up to 25 years.

"Some political opponents have even faced dubious allegations of petty criminal offences as part of an orchestrated campaign to put an end to their opposition activities," the British-based human rights organisation says.

Ms Frances D'Souza, Article 19 director, says the State Law and Order Restoration Council has issued many decrees adding to the limits on freedom. "The latest law against 'moral turpitude' effectively ensures that those who cannot be charged under existing laws will be ensnared," says Ms D'Souza. This year 15,000 public servants were sacked or disciplined for crimes of thought and words, she adds.

In May 1990, Aung San Suu Kyi's party, the National League for Democracy (NLD), won a landslide victory in general elections, taking 392 seats out of 425.

However, the Council has not allowed the result to take effect. According to the report, more than 100 NLD members elected to be members of parliament have been detained, are in exile, or have disappeared.

ANC blames Inkatha for death of 17 in clashes

THE African National Congress yesterday blamed police and the rival Inkatha Freedom party for the deaths of 17 people in clashes after an Inkatha rally, AP reports from Johannesburg.

Inkatha denied responsibility for the violence, which threatened to exacerbate tensions among Inkatha, the ANC and the government as they prepare for crucial negotiations on the country's political future.

Police said clashes broke out on Sunday afternoon as about 12,000 Inkatha members dispersed after a rally in the black township of Soweto.

The victims' political affiliations were not known, but the fighting was linked to the long power struggle between supporters of the ANC and Inkatha. It was the worst in Soweto in recent months.

"We hold both the police and ... Inkatha ... responsible for the murder of our people," said an ANC spokesman, Mr Floyd Mashele.

The leader of the Inkatha Youth League, Mr Themba Khoza, said it was too early to make accusations. But he claimed to have evidence that an ANC activist had planned to attack Inkatha members, and would be giving the name to police.

The victims included seven people shot in a house near a Soweto workers' hostel that is an Inkatha stronghold.

Richardson admits big rise in NZ budget deficit

By Terry Hall in Wellington

MS RUTH RICHARDSON, the New Zealand finance minister, yesterday admitted she would be unable to meet the government's election promise of a balanced budget by 1993-94.

Her statement followed a day of uncertainty in financial markets after it became apparent she could be sacked because of reports that this year's budget was up to $1bn above the forecast deficit of $1.7bn.

Ms Richardson's admission, sparked by a statement by Mr Jim Bolger, the prime minister, was seen to further undermine her credibility following a series of reverses in policies announced in her July budget. Her statement will cause the government further electoral unpopularity after a string of other broken election promises.

Financial markets opened weaker yesterday. Interest rates firmed and there was a hesitant drop in the exchange rate following falls in the Australian currency.

There were widespread fears that the Reserve Bank would act to support the currency at above 55 on the trade weighted index as part of its anti-inflation drive. Instead the bank issued a noon statement indicating that it would not support the currency at this stage, implying that its economic forecasts next week would not lead to a tightening of monetary policy due to worries of rising inflation. Following this the New Zealand dollar fell to 54.8, its lowest level for eight years.

The bank's forecasts follow a period of worsening economic news as a bout of cost-cutting on social services has eroded spending power, worsened by steadily rising unemployment.

It is estimated that the domestic economy has contracted by 4.4 per cent this year, and that real consumption is down by 2.8 per cent. One forecasting group says unemployment will rise to 350,000 next year, compared with an estimated 200,000 or 12 per cent of the workforce by the end of this year.

Ms Richardson is bearing much of the blame for the government's disastrous slide in the opinion polls, which now place it behind a newly-formed group of minor parties, known as the Alliance.

WORLD TRADE NEWS

World Bank urged to alter bidding rules for building

By David Dodwell, World Trade Editor

REPRESENTATIVES of Europe's leading construction companies are to press the World Bank to alter bidding rules to encourage greater participation by industrialised-country contractors in the $16bn-$20bn (£8.8bn-£11bn) of projects the Bank funds every year.

Proposed alterations would lead to "more competitive bidding by more highly qualified contractors. . . ,would be more likely to be successful and at the same time more economical," said Mr Peter MacGregor, former director-general of Britain's Export Group for the Constructional Industries (EGCI).

Suggested amendments for the bank's procurement guidelines have been made by European International Contractors, the umbrella group representing EGCI and its Continental counterparts, after discussion with Japanese and US construction organisations. They will be discussed with World Bank staff in Washington on January 22.

Perhaps aware of the sensitivity of their proposals, the European contractors chose not to raise the subject in the normal forum, the annual international contractors' convention, held in Bombay last October.

Europe's contractors complain that present procurement guidelines put insufficient emphasis on quality standards, give insufficient guarantees on payment and fail to provide for effective dispute settlement.

They suggest amendments to the guidelines which would reinforce the need for pre-qualification; prevent borrowers from arbitrarily breaking contracts into small parts to favour local contractors; avoid low bidding designed to secure hard currency payments; and give preference to "economically most advantageous" bids rather than "lowest evaluated" bids as at present.

Most sweepingly, they call on the World Bank to purge the word "should" from the guidelines, replacing it with "must". They argue that many borrowers whose mother-tongue is not English fail to realise the Bank uses "should" as an instruction, rather than merely as an option.

Notwithstanding the complaints, the present volume of contract business awarded by the World Bank to third world companies does not suggest industrialised countries are greatly disadvantaged. In 1990, out of a total $9.16bn of foreign contracts awarded by the World Bank, over 50 per cent by value went to four countries: the US, Germany, Japan and the UK.

Brazil, ranked ninth, was the leading third world contractor, winning work worth $207m, or 2.3 per cent of contracts awarded. Local contractors won work worth $6.6bn. Mr Rajhavan Srinivasan, the World Bank official who will chair the January meeting, plays down the importance of the meeting: "The guidelines are perpetually being reviewed and honed, though they have remained more or less unchanged for the last four years."

He felt the only significant proposal was for inclusion of a reference to management contracting, "which we don't currently preclude, nor do we specifically recommend it".

Bush likely to step in over farm subsidy talks

By William Dullforce in Geneva and David Gardner in Brussels

PRESIDENT George Bush is expected to intervene again within the next 48 hours in the slow-moving talks on farm subsidies between the EC and US. The US-EC deadlock over agriculture is blocking completion of five years of international trade talks under the General Agreement on Tariffs and Trade (Gatt) in Geneva.

EC officials said Mr Bush would contact Mr Ruud Lubbers, Dutch prime minister and current EC president, and possibly other EC leaders, after yet another inconclusive meeting between Mr Edward Madigan, US agriculture secretary, and Mr Ray MacSharry, EC farm commissioner, in Washington at the weekend.

Mr Richard Crowder, US farm under-secretary, will continue negotiations with Mr Guy Legras, EC agriculture director-general, in Brussels tomorrow, US officials said. But EC sources say they will concentrate first on resolving some of the easier outstanding issues. The Washington meeting made no progress on three crucial items: the level to which subsidised exports should be cut in an initial five- or six-year period; which domestic payments to farmers should be put in the "green box" of permitted supports; and the EC's demand to be able to retain a protective barrier against imports of non-grain feedstuffs.

Some advances were achieved on the "continuation clause", the commitment demanded by the US to continue reduction in subsidies after the first five-year phase. The question of how to convert all import barriers into tariffs and at the same time reach minimum levels of access for farm products is regarded as "resolvable". "No breakthrough, no breakdown," was how US officials described the outcome of the Washington meeting which took place after a month of almost continuous US-EC talks aimed at finding a way of resolving their differences over how to make reductions in subsidies to farmers.

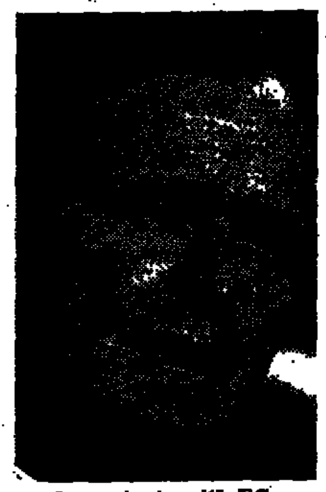
President Bush initiated the current effort to settle the farm dispute at the US-EC summit meeting in The Hague on November 9, at which he offered to lower US ambitions on the size of the reductions to be made in international farm subsidies.

But, despite an attempt last week to bring in troubleshooters from the US State Department and the staff of Mr Jacques Delors, EC Commission president, negotiators have so far been unable to turn what appeared to be a political breakthrough into a firm deal.

Fresh instructions from the highest political levels were now needed, to achieve the breakthrough on agriculture that would open the way for the completion of Gatt's Uruguay Round, EC officials said.

The Gatt Uruguay Round negotiations are not on the official agenda for the EC's present internal summit on monetary and political union in Maastricht, but Mr Lubbers expects it to be discussed by leaders on the sidelines and Mr John Major, UK prime minister, has made clear he intends to raise the matter.

One senior EC official said that a US-EC farm deal could be "crowned" at a planned meeting on December 18 between EC foreign ministers and Mr James Baker, US secretary of state.



Bush: contacts with EC

Multilateral talks on the farm issue are scheduled to resume in Geneva tomorrow afternoon, but US officials said Mr Crowder and Mr Legras might continue their negotiations in Brussels throughout the day.

Meanwhile, after meeting in Geneva yesterday, ministers of the 14 farm-exporting nations belonging to the Cairns Group warned they would not accept any farm deal that largely maintained under other guises existing levels of farm support, protection and trade distortion.

It was a misconception that the US and EC could settle the issue bilaterally, Mr Neal Blewett, Australia's trade negotiations minister, said. The Cairns Group was particularly disappointed that the question of which domestic supports should be put into the "green box" was not being more firmly addressed.

Some compensatory payments mooted in Mr MacSharry's proposal for the reform of the EC common agricultural policy could be permitted, but others did not meet the group's criteria for inclusion in the box, Mr Blewett said.

Madigan profile, Page 30

President may back new import restraints

PRESIDENT Bush this week may agree to a two-year extension of import curbs which have protected parts of the US machine tool industry for five years on national security grounds, Nancy Dunne reports from Washington.

With his administration split over the industry's plea for a 3-5 year extension, Mr Bush is expected to rule for two more years of "voluntary" curbs. The controls have been imposed on Japanese and Taiwanese shipments of machining centres, lathes, milling machines and punching and shearing machines.

Mr Jim Mack, vice-president for government relations of the National Machine Tool Builders Association, said Mr Donald Atwood, US assistant defence secretary, was "strong" in support of the industry. He wants two more years of restraints to give the industry more time to retool and allow the government time to put in place "more permanent programmes to ensure the industry's survival".

Mr Mack said programmes like Mantech, the Pentagon's manufacturing technology scheme, could help the industry. Mantech has been used to help prime and sub-contractors make weapons more efficiently; but the Pentagon now stresses the role of equipment suppliers in improving technology.

Mr Atwood may seek a study with the Commerce Department of the industry's national security and economic roles. The US Trade Representative and the Council of Economic Advisers oppose keeping the protection. The Taiwanese oppose it, but Japanese producers are unlikely to complain.

New Delhi eases import curbs

THE Indian government has substantially eased emergency restrictions on imports imposed almost a year ago amid fears that India might default on its debt repayments, David Housego reports from New Delhi.

The Reserve Bank (the central bank) has cut the cash margin importers had to advance on opening letters of credit from 150 per cent to 50 per cent. The cash margin at its peak was raised to 200 per cent.

The bank has also lifted the requirement that commercial banks must obtain clearance from the central bank before issuing a letter of credit. But the curb stays in force for capital goods. The moves follow a sharp increase in the foreign exchange reserves which have climbed to Rs78bn (£1.7bn) after being virtually exhausted during the June general election.

Further support for the reserves came last week with the confirmation of two World Bank loans to India - a $500m (£282.4m) structural adjustment facility, and a $400m loan to help meet severance payments in industry.

The government hopes to avoid a surge in imports following the easing of restrictions by keeping a tight credit policy.

Mr S. Venkitaramanan, the Reserve Bank governor, said high interest rates – the commercial banks' rate for prime borrowers stands at 20 per cent - would have to remain for some time.

The combination of the credit squeeze and sharply increased excise duties have led to a slump in sales and output of cars, commercial vehicles and two-wheelers. Hindustan Motors, which makes the Ambassador and is one of the producers worst hit, announced last week a 40 per cent cut in production.

OECD export credit rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates for officially-supported export credits for Dec 15-Jan 14 1992 (Nov 15-Dec 14 rates in brackets):
D-MARK 9.68 per cent (9.75);
FRENCH FRANC 10.20 (same);
GUILDER 9.90 (same);
ITALIAN LIRA 12.06 (12.02);
YEN 6.70 (same);
PESETA 12.79 (12.62);
STERLING 10.85 (10.79);
SWISS FRANC for credits of less than eight years 8.30 (same); for credits of more than eight years 8.55 (same);
US DOLLAR for credits of up to five years 7.52 (7.77); for credits of over five years 7.92 (8.17).

These rates are published monthly by the Financial Times, normally around the middle of each month. They apply to all export credits. However, on those to middle-income and poor developing countries the OECD matrix rate can be used if lower.

This is a standard set of rates reviewed twice a year, in January and July.

AMERICAN NEWS

Puerto Ricans spurn plan for US citizenship

By Canute James in Kingston

PUERTO RICAN voters have rejected proposals from the island's administration intended to guarantee that they remain citizens of the US regardless of any change in the political status of the US Caribbean possession.

The proposals from the government were the subject of a referendum on Sunday, and asked for support for efforts to maintain Puerto Rican culture, and Spanish as the island's official language.

The rejection, by 53 to 45 per cent, was a setback for Mr Rafael Hernandez Colon, the island's governor, and his Partido Popular Democratico. The intention of the proposals was to strengthen the position of the PPD in a pending vote on the island's status.

A plebiscite is being proposed for the 3.3m people of the island to decide whether they want to retain their current quasi-colonial status of a "commonwealth" of the US, or become a state of the union, or move towards political independence.

No date has been set for the vote on status, but the result of Sunday's vote has given the edge to the opposition Partido Nuevo Progresista, which advocates statehood. Mr Hernandez Colon is likely to come under increasing pressure to step aside as the PPD's candidate for next year's gubernatorial elections.

Chilean steel workers call off 39-day strike

By Leslie Crawford in Santiago

CHILEAN steel workers yesterday ended a 39-day strike which had shut down Huachipato, the country's only iron and steel mill.

Union leaders, nervous that the strike would lose momentum as Christmas approached, accepted a small improvement in the company's original pay offer, although it fell far short of their original demands. The new two-year contract raises real wages by 4.1 per cent, according to union calculations. Huachipato's 3,400 employees will also get a no-strike bonus of $400 (£226).

There were scuffles and fist-fights at the end of a union assembly on Sunday as the more militant workers protested against the end of the strike. The stoppage was the longest dispute in a private-sector company since Chile's return to democracy in March 1990. Huachipato itself had not suffered a strike since 1979.

The steel mill, privatised during the final years of the military regime, belongs to Compania de Aceros del Pacifico (CAP), a mining, steel and forestry group that ranks among the five biggest private-sector holdings in Chile with annual sales of $600m.

Mexican general suspended

By Jeanne Grant in Mexico City

A MEXICAN general and other military officers have been suspended from their duties pending investigation into a shoot-out in which seven federal police agents were killed early last month. Simultaneously, the number two official at Mexico's Attorney General's Office resigned, "for personal reasons".

The announcements at the weekend followed the publication of a report by the country's National Human Rights Commission, which found that the army officers had broken the law and were guilty of unprofessional behaviour.

The decision comes on the eve of President Carlos Salinas de Gortari's meeting with President George Bush, and may have been made to forestall US criticism that the Mexican government is not cracking down hard enough on government agents and the armed forces.

The seven agents were killed by Mexican troops at a clandestine landing strip in the state of Veracruz on November 7. The agents had tried to intercept an aircraft later found to be carrying about 800 pounds of cocaine.

US and Mexican officials have suggested the army was present to protect, rather than to detain, the drug shipment.

The army troops did not pursue the occupants of the drug-laden aircraft, both of whom escaped on foot before the federal police landed; the division general responded to telephone calls from the Attorney General's Office warning him that the troops were firing on federal agents by sending reinforcements. The federal agents were killed after the reinforcements arrived, in the second hour of shooting.

Peru collects taxes at point of a cannon

Sally Bowen sees Lima's new get-tough initiative for revenue-gathering in action

ARMOURED cars rumbled through Lima's streets before dawn. A pincer movement involving scores of well-armed soldiers and police barricaded several blocks behind the Ministry of the Economy. Access was prohibited.

For all its military precision and its name – Operation Springtime – this was not a counter-insurgency initiative. The operation in late November was in support of a tax and customs inspectors' swoop on the black-marketeers who supply Lima's myriad informal street markets with electrical appliances, luxury foodstuffs and liquor.

The illegal importers and wholesalers truck most of their merchandise up from Chile's duty-free port of Iquique, evading sloppy Peruvian customs controls or bribing their way past police posts along the Central Highway.

Now Peru's newly reformed tax administration authority Sunat is showing its strength. The November raid, which netted black market goods worth $10m (£5.6m), followed only days after Sunat took the unprecedented step of enforcing temporary closure orders on half a dozen leading Lima businesses for tax evasion.

The unlikely figure spearheading the new, get-tough initiative is the soft-spoken Mr Manuel Estela, who once studied for the priesthood. Backing him is Mr Carlos Bolona, economy and finance minister, who has promised a series of similar swoops. "The government has given a very clear signal that there will be no let-up for tax evaders and smugglers. This is a process of moralisation," Mr Bolona said.

In 10 months at the head of Sunat, Mr Estela has halved its bureaucracy. In the face of severe union hostility, including death threats and a bomb attack against Sunat offices, Mr Estela required all tax officials to sit examinations.

With a trim, competent workforce, Mr Estela then persuaded Congress he must pay private-sector wages. "With people earning $45 a month, you can imagine what kind of 'professionals' we had. No wonder corruption was rife," he says. Now employees' salaries range from $400 to $2,000 a month.

New computers and sophisticated software donated by the InterAmerican Development Bank (IADB) have given Sunat the ability to hunt tax-evaders by cross-checking four different types of expenditure – new cars, property, yachts and foreign holidays. A random selection of Peruvians whose declared income does not square with expenses is investigated.

Mr Estela gets professional guidance from, among others, the International Monetary Fund. And he has trained an elite team of 100 university accountancy students ("the best Peru can muster") as a hit squad responsible for widespread lightning checks on businesses which fail to issue formal sales receipts.

The Sunat story is crucial for Peru. Tax collections as a percentage of GDP had fallen from 20 per cent in the late 1970s to 13.5 per cent in 1985 and 4 per cent last year. The government has managed to double that within a year (to almost $300m a month), but only by relying on high, stop-gap fuel and energy taxes – damaging the poor and industry alike.

Sunat's immediate aims include increasing the taxpayer base and to enforce payment of the 16 per cent general sales tax (IGV), theoretically due on all invoices but widely ignored by many big manufacturers.

In the early 1980s, IGV produced revenue equivalent to 5 per cent of GDP. Now it has slumped to barely a quarter of that. Personal income tax yields even less, a puny 1 per cent of all tax collected in Peru, according to Mr Roberto Abusada, former economy vice-minister and tax expert.

Mr Abusada believes recent elimination of widespread IGV exemptions, plus improved administration, will push collections to respectable levels.

New tax proposals are likely to target the business sector. "In a country like Peru, you have to concentrate on corporation tax," says Mr Abusada. "And that means taxing the means of production, and gross rather than net assets."

Despite widespread panic in the informal markets, government officials say street sellers will not be the target of the military-backed tax operations. "Springtime" confiscated merchandise from four huge warehouses full of smuggled goods whose owners are reported to move $100m in contraband every 10 days.

"It's the big smuggler with the lion's share who must be attacked," says Mr Bolona.

While policing costs restrict enforcement of widespread personal taxation, Sunat will turn its attention to Peru's estimated 280,000 tax-evading professionals who have incomes of between $100,000 and $1m a year. Joint operations with the customs authority, Sunad, will continue to target contraband – especially the 1m cases of Chilean wine smuggled annually, against which local industry cannot compete.

As Mr Estela explains his philosophy: "Tax administration should be at the service of the private sector – a Sunat official has the duty to listen, understand and solve the businessman's problem."

Counting the cost of legislators' dreams

By George Graham in Washington

WITH Democrats in control of both houses of Congress and a Republican president in the White House ready to veto anything Congress passes, US politicians often complain of a legislative deadlock.

But with the US budget deficit already expected to reach $360bn-$375bn (£200bn-£207bn) this fiscal year, it may be a good thing that Congress cannot get much enacted.

According to the National Taxpayers' Union Foundation, a right-wing watchdog group, if all the bills introduced into the House of Representatives last session had been passed, they would have added $491bn to government spending. The Senate's proposals come in slightly cheaper at $429bn.

Democratic members of Congress are the biggest spenders, the Taxpayers' Union calculates. Ten Democratic representatives sponsored or co-sponsored bills whose overall cost would have topped $300bn. Congressman Charles Rangel of New York headed the list with proposals totalling $331bn.

Like Senator Bob Kerrey of Nebraska, the Senate's top spender, with bills totalling $302bn, Mr Rangel backs a costly healthcare reform – though both argue that their proposals would actually save the country money.

Republicans, however, do not emerge as cheapskates when it comes to spending the taxpayer's money. Congressman Frank Horton of New York is up there with the best of them at $281bn.

The Republicans can boast, however, the only member of either chamber whose proposals would have resulted in a net reduction in government spending: Congressman Herbert Bateman of Virginia, who could have saved $463m.

Mr Bateman must have had a sudden conversion to fiscal prudence; as representative of a district that includes a lot of military personnel, he has in the past usually been found advocating plenty of defence expenditure – especially on the aircraft carriers built at Newport News, in his constituency.

Cuba facing energy crisis

CUBA faces an imminent fuel crisis and could be hit by blackouts by the end of the year, according to Notimex, the Mexican news agency, Canute James reports. The Soviet Union – which had guaranteed supplies of almost all Cuba's oil needs – is reported not to have supplied any oil since the start of the month.

The island's government has been forced into dramatic efforts to conserve energy, including the introduction of horse and cattle-drawn vehicles on farms.

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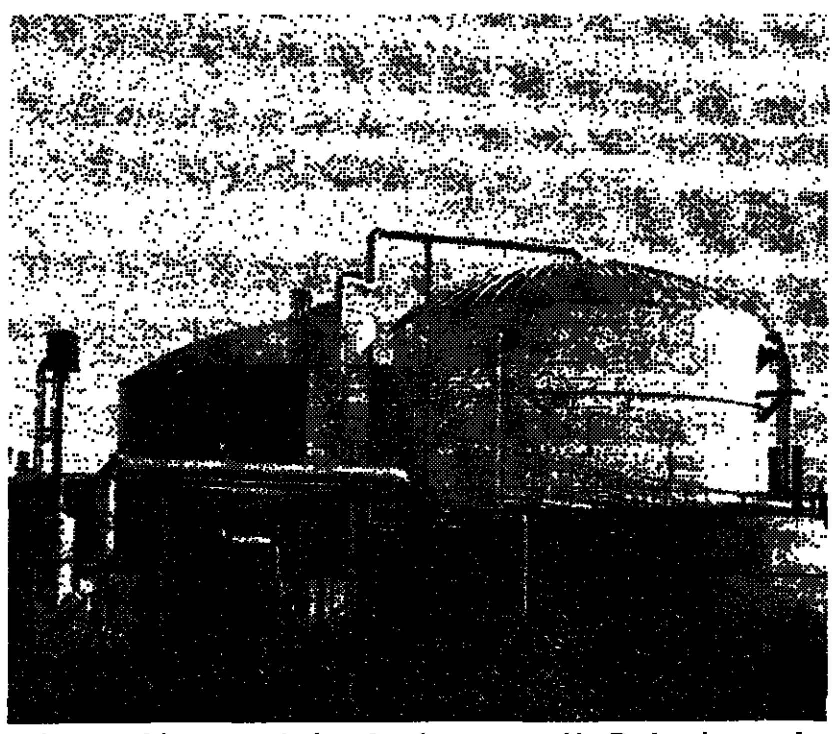

This anaerobic system designed and constructed by Badger is owned by the city of Beloit, Wisconsin. The plant treats 800,000 gallons daily from the city's expanding industrial park.

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FT LAW REPORTS

River is not a highway for navigation right of way

ATTORNEY GENERAL BY THE RELATION OF YORKSHIRE DERWENT TRUST LTD AND OTHERS v BROTHERTON AND OTHERS
House of Lords
(Lord Bridge of Harwich, Lord Oliver of Aylmerton, Lord Goff of Chieveley, Lord Jauncey of Tullichettle and Lord Lowry):
December 5 1991

A RIVER does not become a "highway" after 20 years' uninterrupted navigation by the public, in that a "way" for the purpose of right of way legislation is a physical path or track situated on land, and does not include water running through land.

The House of Lords so held when allowing an appeal by the landowners, Mr David R. Brotherton and others, from a Court of Appeal decision that a river was a "way" for right of way purposes, on a preliminary issue in an action against the landowners by the respondents, the Attorney-General on the relation of the Yorkshire Derwent Trust Ltd and the Town Council of Malton.

Section 1 of the Rights of Way Act 1932 provides: "(1)Where a way ... upon or over any land has been actually enjoyed by the public as of right and without interruption for a full period of 20 years, such way shall be deemed to have been dedicated as a highway ... (8)For the purposes of this section the expression 'land' includes land covered with water."

LORD OLIVER said that Mr Brotherton and the other defendants were owners of land in Yorkshire through which flowed the River Derwent.

Yorkshire Derwent Trust was a charitable body formed to restore the Derwent as a navigable river. The Malton Town Council was concerned to protect any public navigation rights which existed on the river.

The landowners denied that any public right of navigation on the Derwent existed through their land.

On a preliminary issue in the action, the question was whether section 1 of the Rights of Way Act 1932 applied to public rights of navigation.

Mr Justice Vinelott answered in the negative. His decision was reversed by the Court of Appeal. The landowners now appealed.

The Act was passed to regulate and facilitate the establishment of public rights of way by virtue of long-continued user.

Section 1(1) provided that where "a way ... upon or over any land" had been enjoyed by the public without interruption for 20 years, it was deemed to have been "dedicated as a highway" unless there was evidence that there had been no intention to dedicate it.

Subsection (2) provided that where the way had been enjoyed for 40 years, it was deemed conclusively to have been dedicated, unless there was evidence that there was no such intention.

Mr Justice Vinelott did not think that "an ordinary educated user of the English language would regard a right of navigation as a right of way over land".

That was right, but subsections (1) and (2) did not stand alone. They were qualified by subsection (8) which provided that for the purposes of section 1 "land" included "land covered with water".

The respondents' argument was, first, that in a number of cases and learned treatises or textbooks prior to 1932, a right of navigation was referred to as, or as analogous to, a public highway. Therefore it was no misuse of language to refer to a right to navigate as a "right of way".

Second, it was argued that since a waterway consisted of water in a channel through land, it was no misuse of language to refer to a right of navigation as right of way "over" land.

Third, it was argued that the purpose of the Act – to overcome difficulties in establishing a dedication by sufficiently continuous user – was as applicable to a right of navigation as to a right to walk or drive on terra firma.

Fourth, it was argued, a river was properly described as "land covered by water", the land being the bed of the stream in which the water was contained.

The problem could not be solved by so enticingly simple a progression.

The major premise – that a right of navigation might properly be spoken of as a highway and therefore as a "way" – did no doubt find some support in reported judgments of high authority prior to 1932, going back to the 18th century.

On the other hand, in the Highways Act 1835 and the Local Government Act 1894, "highway" was either defined in terms which would exclude a right of navigation or was used in contexts consistent only with ways on land.

There were, of course, obvious analogies which could be drawn between traffic on land and waterborne traffic. And it would no doubt be technically correct to describe a river running longitudinally through an estate as providing a "way" of passing from one end of the estate to the other, using "way" in the sense of "mode" or "method".

But no-one in 1932 would have described a right of navigation naturally as a "right of way over land".

It was clear from the context that "way" was used in the sense of a physical feature on land which the public had used for the purpose of passage.

Subsection (1)

spoke of "user" by the public and of the way being "actually enjoyed" and "dedicated" as a highway. It was clear that what was being referred to in "a way ... upon or over land" was the physical site on which the feature described as "the way" ran.

Clearly, after the appropriate period, something was deemed to be dedicated to the public use as a highway. What was dedicated could not be anything but the land itself. One did not dedicate a right or a direction of travel. One created a right by dedicating the land for use as a public passage.

An ordinary English reader would not consider that "a way upon or over land" was apt to refer to the permanent feature of a lake or river running through land, or would think of land as referring to the surface of the water.

Subsection (8) expanded the meaning of "land" for the purposes of the section.

It was difficult to understand precisely what the draftsman was intending to achieve in subsection (8).

If the intention had been to treat rivers, streams and lakes as "ways" and to deem their beds to be dedicated as highways under subsections (1) or (2), it was inconceivable that he would not have said so in express and intelligible terms.

As it was, to read subsection (8) as referring to the course of a river and in that sense to read it as incorporated referentially into subsection (1), simply did not make sense as a matter of English.

It did not attach any unusual or expanded meaning to the physical feature described by "a way", but merely attached an expanded meaning to the "land" over which the way ran. It was impossible to believe that any draftsman called on to facilitate the acquisition of public rights of navigation over streams and rivers as well as over "ways" in the conventional sense, would have resorted to so inapt a formula.

Plainly, subsection (8) was intended to fulfil some purpose in relation to section 1.

There was no purpose other than *ex abundanti cautela* [from over-caution] to counteract an argument that a way which ran, for instance, through a ford, was not a way "upon or over land", or that the 20 and 40-year periods were interrupted because the site of the way was covered permanently or temporarily by water. What was conclusive against the respondents' case was the repeated use of "way" in contexts which made it entirely clear that what was in contemplation was a physical path or track situated on the land itself.

The appeal was allowed. Lord Goff and Lord Jauncey gave concurring judgments. Lord Bridge and Lord Lowry agreed.

For the landowners: Conrad Dehn QC and David Ainger (Eversheds). For the respondents: Eric Christie and Nicholas Peacock (Payne Hicks Beach).

Rachel Davies
Barrister

UK NEWS

Airport caterers fail after alleged fraud and loan losses

By Michael Skapinker

TOWN & COUNTY, caterer to Buckingham Palace garden parties and Heathrow and Gatwick airports, has gone into receivership.

This follows the arrest of a senior employee on fraud charges and the liquidation of an associated company to which Town & Country had lent money.

Mr David Buchler, senior partner in the accountancy firm Buchler Phillips, said he was appointed receiver by WPZ (UK), a bank which is owed about £1m. Town & County's total debts are thought to be £10m.

Mr Buchler said he was in talks with Forte, Allied-Lyons and Wembley, the owner of Wembley stadium, about the sale of the company which he hoped could take place in "days rather than weeks". Allied-Lyons sold Town & County to Mr Dieter Abt, a Swiss businessman, in April last year.

Mr Buchler said the company's financial accountant was arrested several weeks ago and had been charged with theft. Mr Buckner said about £400,000 is alleged to have gone missing from the company during the summer.

He said Town & County was also believed to have lent £2m to Five Star Catering, a company with which it was linked through some common directors and shareholders. Five Star Catering went into liquidation in August. Town & County also lost about £400,000 when the Keith Prowse ticket agency collapsed last September.

Town & County had a turnover of £29m and 2,000 employees. Apart from its contracts with Wimbledon and Buckingham Palace, the company caters for the Royal Windsor Horse Show, the Paris air show and for the recent rugby world cup at Twickenham.

It is responsible for all catering outlets at Heathrow's Terminal Four and is the largest caterer at Gatwick's North and South terminals. BAA, the group which runs the airports, said last night it had made contingency plans with other caterers to provide alternative services.

UK's largest bus company plans railway services

By Richard Tomkins, Transport Correspondent

BRITAIN'S biggest private bus company is aiming to become the country's first private operator of scheduled inter-city trains.

Stagecoach Holdings has notified the Department of Transport that it wants to operate several services a day between London and Scotland at fares undercutting normal rates on British Rail, the state-run network.

Stagecoach believes lower fares will expand the rail market between London and Scotland significantly by generating new journeys and encouraging people to switch from coaches and cars.

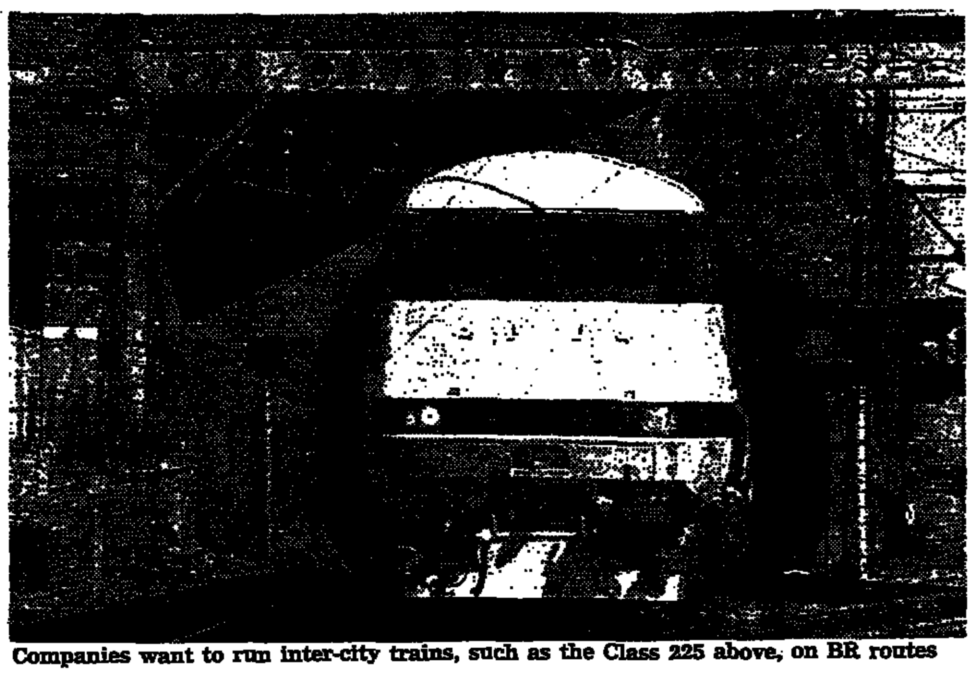
Initially it plans to hire trains and drivers from BR, but it would aim to introduce its own train and crews after BR's proposed privatisation.

Stagecoach is the fourth company in three weeks to unveil plans for exploiting the government's planned deregulation of BR. On the passenger side, Mr James Sherwood's Orient-Express Hotels and Mr Richard Branson's Virgin group plan to operate services.

On the freight side, National Power, the electricity power generator, wants to run coal trains to its power stations.

Mr Malcolm Rifkind, the transport secretary, announced in the autumn that he was asking BR to open up its tracks to the private sector in advance of privatisation. The strong response from the private sector supports Mr Rifkind's contention that operators are keen to enter the rail market as soon as privatisation permits.

The Perth-based Stagecoach is the most aggressive and successful of the private bus company groupings to have emerged since the bus industry outside London was deregulated in 1986.



Companies want to run inter-city trains, such as the Class 225 above, on BR routes

High risk markets to keep insurance cover

THE recently-privatised short-term export credit insurance arm of the ECGD, now called NCM Credit Insurance, will leave with the British government the risk of providing insurance cover for 19 high risk markets, Mr Peter Lilley, Secretary for Trade and Industry, has revealed, writes David Dodwell.

Even among "vested" markets for which NCM Credit Insurance would assume responsibility, any proposed contract regarded as highly risky would be turned down or referred to the ECGD.

NCM Credit Insurance will act as agent for the government in honouring existing guarantees - or any that are due for renewal before March 1 next year. Guarantees to be renewed after March 1 will receive an "International Guarantee" from NCM.

The list of non-vested markets is: Angola, Egypt, Gambia, Guyana, Iran, Iraq, Jordan, Kuwait, Libya, Nigeria, Sierra Leone, Somalia, the Soviet Union, Sri Lanka, Sudan, Tanzania, Yugoslavia and Zambia.

Companies face EC penalties

By Mike Smith

UK companies which flout European law on providing workers with information about collective redundancies may face stiffer penalties under a draft European Commission.

The directive would make it possible for redundancies to be rendered "null and void" through legal procedures where it was shown that a previous 1975 directive on consulting and informing workers had not been complied with.

British lawyers believe that could mean that companies which were found to have infringed the 1975 directive would be liable to provide backpay to workers.

The introduction of the "null and void" clause, one of several changes proposed in the draft directive, would affect the UK and three other European countries.

The draft directive was published in late-November but has been overshadowed by the pre-Maastricht negotiations over more significant aspects of the social charter and has received virtually no publicity in the UK.

The British government is still considering the suggested changes but is likely to oppose or press for changes in the null and void remedy.

The Department of Employment said yesterday that the penalty would be disproportionate to the offence. Discussion on the directive is due to begin shortly. It would have to be approved unanimously before implementation.

The 1975 directive introduced a requirement on companies to consult and inform workers for more than 90 days on redundancies if they employed more than 100 workers. Companies with more than 10 employees had to consult for 30 days.

BRITAIN IN BRIEF

Sales dip 30% in commercial motor sector

UK new commercial vehicle registrations, fell by 31.6 per cent in November from the same month a year ago with the industry now in its third year of declining demand.

Overall new commercial vehicle registrations in the first 11 months of the year have fallen by 29.5 per cent to 197,733 from 280,592 in the corresponding period a year ago according to figures released by the Society of Motor Manufacturers and Traders.

In the last two years the UK market for new trucks has more than halved with a drop of 54.5 per cent to 30,147 from 66,268. In the truck market DAF, the Dutch commercial vehicle maker which is suffering heavy losses as a result of the UK recession, has established a small lead ahead of the Iveco group, the commercial vehicles subsidiary of Fiat of Italy.

DAF has increased its share of the UK truck market to 23.7 per cent in the first 11 months of the year from 22.7 per cent a year ago, while Iveco's share has declined to 23.4 per cent *from 25.7 per cent.*

Warning over stock news

The London Stock Exchange sent a stern warning to listed companies which may consider releasing price-sensitive information to news agencies other than the exchange itself.

The move, which is likely to fuel the anger of the UK's competition authorities and rival news firms, follows the government's decision this autumn to break the exchange's monopoly on company news.

Once the change comes into force, companies will still have to send all announcements to the exchange, but will have the option of sending them at the same time to other companies, such as Reuters. This could result in news reaching the market faster than through the exchange's own system.

N-Electric profits rise

Nuclear Electric has pulled itself further out of the financial mess that looked likely to condemn the company to close after 1994. The state-owned company which operates the *nuclear stations of England* and Wales, yesterday announced a 50 per cent increase in operating profit to £208m. Improved performance is essential if the company is to pass the government review of its future in 1994. Reducing the company's dependence on the nuclear levy, a subsidy paid by electricity consumers, *is also critical.*

Campaign to boost resorts

Holidaymakers who haven't visited a UK seaside resort in recent years would be surprised at the sophisticated facilities now available, according to the English Tourist Board which today launches a new campaign to persuade more Britons to take their holidays at home. British residents bought over 20m overseas holidays last year to seaside and inland locations. Coastal attractions were not neglected, attracting 18m visitors.

Blue Arrow: key witness

Evidence given by a key prosecution witness in the Blue Arrow trial cannot always be believed, the judge told the Old Bailey jury yesterday.

In one of two rulings, Mr Justice McKinnon said disputed evidence given to the court by Mr Philip Rimell, a former chairman of County NatWest Securities, could not be relied upon.

"I have reached the conclusion in respect of Mr Rimell's evidence, where it is in dispute, that you cannot rely upon it," he said.

In his other ruling, the judge ordered the prosecution to drop its allegation that three defendants - all former County NatWest employees - had misled their superiors in National Westminster Bank over their handling of the 1987 Blue Arrow rights issue.

NatWest Investment Bank, County NatWest, UBS Phillips & Drew and five individuals deny the secret buying of shares in the issue amounted to a conspiracy to rig the market in Blue Arrow shares. The trial continues today.

Surge in Sunday trading

More than 1m households in England and Wales went shopping in supermarkets last Sunday, an increase of 300,000 on the previous Sunday, according to Nielsen, the market research company. Average spending per household also increased to £14.50, about 12 per cent higher than the £13 figure recorded the previous Sunday, the first on which leading supermarket chains decided to ignore the 1950 shops act by opening.

Exchange surplus £13.8m

An active market and a surge of rights issues helped the London Stock Exchange to achieve a surplus of £13.8m in the first half of its current financial year, up from £1.5m in the first half of 1990.

This was after taking account of the exchange's spending on the development of new services, which doubled from £6m to £12m.

The improvement was tied largely to the strength of the stock market: the exchange's income rose from £91.8m to £100.5m in the six months to 28 September. Mr Andrew Hugh Smith, chairman, said that income from the exchange's information services had held up well, despite increasing competition from other suppliers. At the same time, the cost-cutting that has been underway for more than a year helped to strengthen the overall results. Operating costs, at £76.6m, were well down on the £89m of the corresponding period in 1990.

Club with too many strikers

Players of soccer club Northampton Town, of the English Fourth Division, refused to take part in official training yesterday as a row rumbled on about unpaid wages. Manager Theo Foley and the players both had meetings with chairman Michael McRitchie.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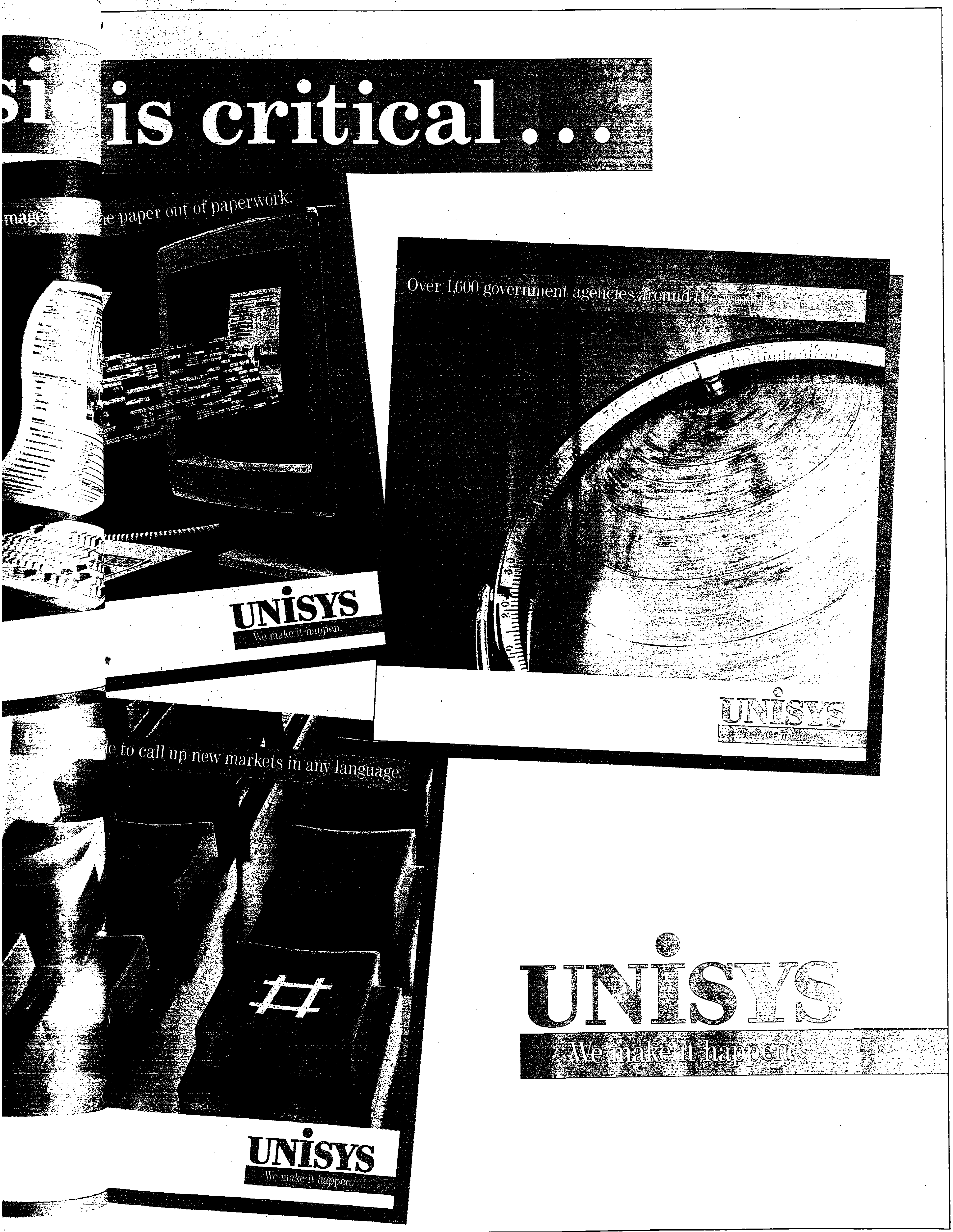
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We make it happen.

Reykjavik's shoppers head south to Tyneside

By Chris Tighe

FINNISH bargain hunters are mingling with other Scandinavian shoppers in north east England this week as retailers on Tyneside, the commercial centre of the region, reap the benefits from Europeans who find UK prices cheap.

About 100,000 Scandinavians visit Tyneside each year on charter shopping expeditions. They are attracted by the concentration and variety of shops in Newcastle's Eldon Square, Europe's largest city-centre shopping complex, and Gateshead's MetroCentre, Europe's largest out-of-town shopping and leisure centre.

The MetroCentre estimates that Icelanders visiting Tyneside spend £1,500 each.

Mr Oddur Oddsson, a construction site manager, spent a weekend on Tyneside with 84 colleagues. He was wearing a new wool jacket which cost £70 in Eldon Square but which in Reykjavik would cost £180. "For one suit and one pair of shoes it pays to come here," he said.

Tyneside has encouraged Mr Skúli Bödvarsson, the Icelandic tour operator, and Icelandair to organise pre-Christmas package trips this year. At £290 for a four-night stay all 12 so far run have been fully booked, bringing in 1,400 Icelanders.

As well as the shops, the Scandinavians bring extra business to hotels, restaurants and even soccer clubs.

The Greater Glasgow Tourist Board has also noticed that Icelandic shoppers, who arrive on twice-weekly flights from Reykjavik, like to include theatres, cinemas, art galleries and golf in their trips.

But shopping is their first objective. "They love comparing prices with the ones at home and almost always find Glasgow gives better value," said the board.

Mr Bödvarsson says that Tyneside's prices are better than Glasgow's. His company, Alis Travel, plans more trips to Newcastle in February.

Braathens, Norway's biggest airline which has made Newcastle its UK base, says its scheduled Norway-Newcastle services, launched this year, are carrying three times the numbers originally expected.

Credit and retail sales down sharply in October

By Rachel Johnson, Economics Staff

CREDIT BUSINESS and retail sales volumes were sharply down in October, indicating British consumers entered the fourth quarter concerned at unemployment rather than confident about an economic recovery.

The Central Statistical Office (CSO) said consumers made their third consecutive monthly net repayment of debt in October, as the amount of credit owed to finance houses, building societies and on bank credit cards shrank by £76m, after falls of £107m in the previous month and £26m in August.

This sequence of credit figures, and a separate announcement that retail sales volumes were also weak between August and October did not hold back the London stock market for long.

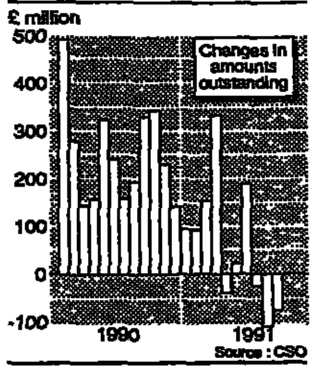
Encouraged by a firmer performance on Wall Street markets, the FT-SE 100 share index rose to close 20.9 points higher at 2409.6.

Sales volumes in October fell by a 0.6 per cent compared with the previous month, after the CSO provisionally estimated the fall was 0.5 per cent.

This heavy drop raised fears that the economy had slipped back into recession after signs of recovery in the summer.

In addition, yesterday's figures roused City scepticism about the Treasury's hopes for a consumer-led recovery and the accuracy of its spending forecast of a 2¼ per cent rise in spending next year.

Consumer credit



The Treasury stuck by its forecast, however, saying it was not surprising that consumers were choosing to repay rather than extend debt at this stage of the cycle.

It pointed out that the amount of new credit advanced – £4bn in October – was "a pretty strong figure", compared with September's £3.9bn. But it also acknowledged that the drop of £140m in consumers' credit agreements with finance houses and other specialist creditors was the biggest monthly fall since records began in 1986.

According to underlying trends in both retail sales and credit business, demand remains at very weak levels in the run-up to Christmas – when retailers such as jewellers expect one quarter of their annual sales to occur.

Comparing the three months to October with the three months to August, sales volumes were 0.3 per cent down to stand 0.3 per cent lower than the same period a year earlier.

Only food retailers had a positive quarter, with their sales rising by 1 per cent compared with the previous three months. Sales by mixed businesses were 1¼ per cent lower, and sales by specialist non-food retailers were 1 per cent lower over the same period.

● The government yesterday took a step nearer to agreeing to calls from mortgage lenders for the interest on the mortgages of benefit claimants to be paid directly to the lender from income support.

Lenders say this would help unemployed people with mortgages stay in their homes and reduce the number of houses which have to be repossessed after their owners fall behind with mortgage payments.

Mr Tony Newton, the social security secretary, said talks between the government and mortgage lenders had gone well and that he hoped an announcement would be made fairly soon.

GE completes engine plant deal

By Paul Betts, Aerospace Correspondent

GENERAL Electric (GE) of the US said yesterday it had completed its £272m acquisition of the British Airways engine overhaul plant at Treforest, near Cardiff.

This followed this month's approval of the controversial deal by the Department of Trade and Industry.

GE bid £8m more than Rolls-Royce for the BA facility. It was accused of paying an excessive price for the plant to win an order worth up to £800m to supply BA with engines for its new fleet of Boeing 777 aircraft.

The engine order and the Treforest sale were severe blows for Rolls-Royce, BA's traditional engine supplier.

GE said yesterday that with the acquisition of Treforest BA had become the US company's largest single customer for engine maintainence.

GE plans to use the facility, which employs 1,100 people, for maintenance work on all leading engine models including those manufactured by its competitors Rolls-Royce and Pratt & Whitney.

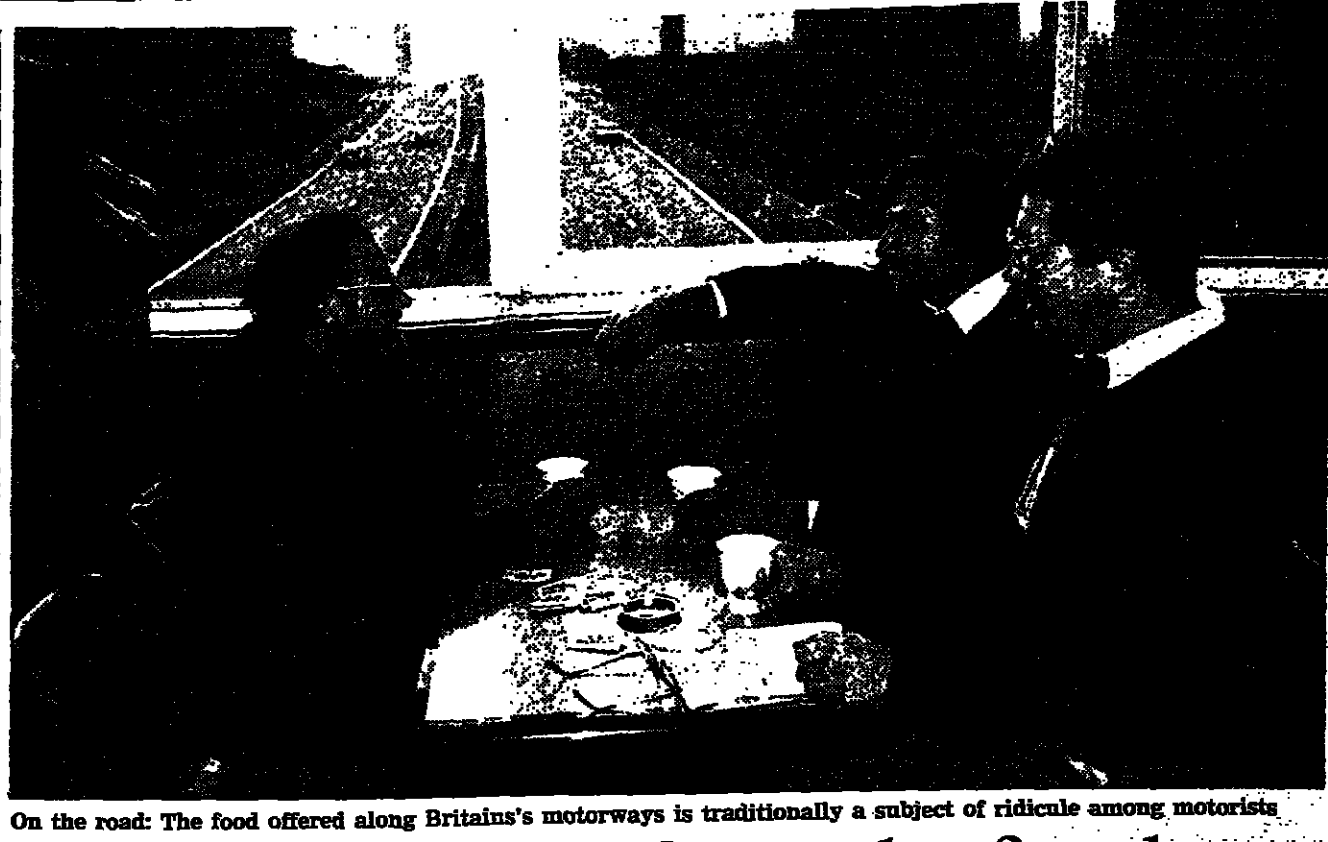
The plant will also use the facility to handle and test its new GE90 heavy thrust engines which will equip the BA fleet of Boeing 777s.

The completion of the BA sale to GE coincided with an announcement by Rolls-Royce that it had won an engine order worth £30m from Korean Air.

The UK engine maker said Korean Air had ordered the uprated Mk650 version of its Tay turbofan jets to power nine Fokker 100 twin engine airliners.

● The Civil Aviation Authority (CAA) yesterday referred Manchester Airport in north west England to the Monopolies and Mergers Commission (MMC) to recommend a new five year formula for airport charges starting April 1993.

An MMC review of charges and other airport activities is required every five years under the 1986 Airports Act.



On the road: The food offered along Britains's motorways is traditionally a subject of ridicule among motorists

A traveller's tale from the fast lane

Motorway service stations are on the move, writes **Paul Cheeseright**

WITH red baseball cap firmly in place, and with the sleeves of his check shirt rolled up in spite of the December chill, the truck driver prepared at the Frankley service area near Birmingham for the next stage of a day run from Preston to Gloucester on the M6 and M5.

"When your time's up," (when the tachometer says enough driving has been done to take a break), "you've got to come in here to the motorway services," he said without enthusiasm. "It's clean but it's a rip-off; they're all more or less the same."

"The standard of food has got higher," added his companion, who was on a short trip from Bilston, West Midlands, to Gloucester, "though you don't get as much as in a transport cafe".

This indifference to motorway service areas, punctuated with the thought that they are better than they were, is probably typical. The public uses such areas because they are there. At the UK's 56 MSAs, as the industry calls the service areas, there are about 200m customers a year.

Mr Michael Guthrie, who last week bought the eight Rank Organisation MSAs and three trunk-road development sites for £90m, is well aware of the indifference. Like his competitors, the former chairman of Mecca Leisure wants to add allure to the standard mix of petrol forecourt, toilet facilities, catering and shops.

That pinpoints evolution in the MSA industry. Frankley is in the midst of a £6m refurbishment, and Ms Julia Bott, who manages the site for Granada Motorway Services, observed that "we've moved from the industry deciding what the public wants to letting the public say what it wants." Hence more takeaway food, air-conditioning, a larger shop and, for the sit-down eater, a "food court" offering a variety of menus.

This, in Granada's view – and its is a significant view because the group is the largest MSA operator in the UK with 18 sites – is a third-generation MSA as far as catering is concerned. The first MSAs were like canteens where the food was doled out. The second, a phenomenon of the 1980s, saw a freer flow of customers with individual counters for different sorts of food. The third generation takes this further to speciality foods.

Egon Ronay's Guide was dismissive to the point of scorn in its latest review of motorway catering, published in 1989. Eating in an MSA may be quick "but it also cuts out any possibility of pleasing the discerning palate," it said.

But, two years on, Mr Andrew Eliel, the managing editor, undaunted by an experience on the M3 where he found, as he described it, an omelette pre-cooked long before serving, soggy chips and a disinterested staff, conceded there have been changes.

"MSAs now offer far healthier alternatives to the old greasy fry-ups – salads and so on; the general hygiene has improved; they're much more suitable for businessmen with all the communications they've set up," he said. There has also been a spread of modest-priced hotel accommodation – room rate around £30 a night – to 34 MSAs.

The Department of Transport ensures that facilities at an MSA are limited. It wants them to be stopovers for travellers, not a destination in themselves. It specifies the number of parking spaces and toilets an MSA must have, so there is a commercial limitation on business. "We have no great ambition to become a Disneyworld," noted Ms Bott. Extra business can only come from doing the usual things better. But investment is needed to obtain extra business. In Granada's view, an MSA should be refurbished every six or seven years during its 50-year lease.

Mr Guthrie plans to spend £15m on improvements to his new MSAs. With the purchase price, that will bring his spending to £105m. But, given that it costs about £30m to set up an MSA on one side of a motorway and probably more than double that for MSAs on both sides of the busiest motorways, his entry ticket to an industry with a captive market does not look expensive.

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TECHNOLOGY

Stealth building shuts out radar

By Andrew Taylor

Technology used to develop the US stealth bomber and make other military hardware radar invisible has been incorporated in the construction of a hangar for British Midland Airways at Heathrow airport.

The last thing a large airport needs is for new buildings to appear on busy radar screens, even if the authorities would permit such a development.

This is the position that BAA, formerly British Airport Authority, found itself in when British Midland sought hangar facilities at the world's busiest international airport.

Dominic Williams, director of Lynton, BAA's development arm, says: "Until we came up with a solution it looked as though the building might be opposed by the Civil Aviation Authority."

There are strict controls on construction at airports. Buildings which need to be close to runways, like a hangar, cannot be so tall that they interfere with the landing and take off of aeroplanes. Neither must they obstruct the view from the control tower. Noise control is another problem. People working in buildings close to noisy runways must be protected by sound insulation.

Most importantly, however, buildings must not interfere with radar systems.

Radar works by sending out electro-magnetic signals which reflect off metal objects such as an aeroplane, ship or steel frame building. By measuring the time taken for a signal to be reflected back to a receiver, it is possible to gauge the distance and speed of an object.

Two basic types of radar are used at airports: primary, which is used for a general overview of aeroplane movements; secondary, which has the capacity to interrogate and identify individual aeroplanes ascertaining their height and flight number. In addition, transmitters are used as a radio navigation aid for sophisticated landing guidance systems.

This means that a complex array of dishes is stationed at various points and heights around an airfield. "The big problem is to design a building without compromising safety," says Dominic Williams.

The Civil Aviation Authority, for example, insisted that a fire station built on the west side of Heathrow be designed in such a way that no reflective cladding was facing a radar installation.

BAA approached consultants Avon Industrial Polymer to see if it could find a solution to British Midland's hangar. Three possible remedies were considered:

- To position the building in such a way that surfaces reflect radar signals away from receivers.
- To use material such as glass which would allow radar signals to pass through into the building where they would bounce around off reflective services until they became defused and dissipated.
- To clad the building in a non-reflective material which would prevent signals from passing through into the building but would not show up on a radar screen.

Glass, however, is an unsuitable cladding for a 91,000 sq ft hangar including four floors of offices and workshops – even if the inside of the building could have been designed in such a way that metal fittings and equipment did not reflect signals back to transmitters. It is also difficult to find a site sufficiently adjacent to runways that is not sensitive to radar installations, says BAA.

The solution proposed by Avon was to coat the building in glass reinforced plastic (which has the appearance of steel cladding). This would allow signals to pass through to a complex sandwich of polymer-based radar-absorbent materials backed by a traditional non-metallic polyurethane insulation.

The cost of the hangar, due to be completed next spring, is expected to be £8m, which is only about £300,000 more than if it had been built by conventional methods, according to Dominic Williams.

BAA says this solution will not be suitable for all kinds of buildings which may require a more aesthetic cladding. But it does provide one way in which airports can promote new development without falling foul of safety authorities.

Della Bradshaw describes what happens when your business is raided for software piracy

Walking the plank

For Mirror Group Newspapers (MGN), allegations of software piracy probably do not rank high on the company's list of problems this week.

But for the Business Software Alliance (BSA), a group of personal computer software companies, its decision to sue MGN for alleged computer software theft is a significant step in its attempts to stamp out piracy in Europe.

"In the EC the copying rate is about double what it is in North America," says US lawyer Bradford Smith, European Counsel at the BSA. Half of the annual $12bn (£6.7bn) worldwide losses incurred by software companies through piracy occurs in Europe.

In pursuit of erring businesses the member companies of the BSA have to secure a court order to search company premises. In the UK this is an Anton Piller order. It has been used for stamping out piracy of everything from T-shirts to videocassettes. Five such orders have been obtained in the UK courts and about 40 similar raids have taken place in Europe over the past two years.

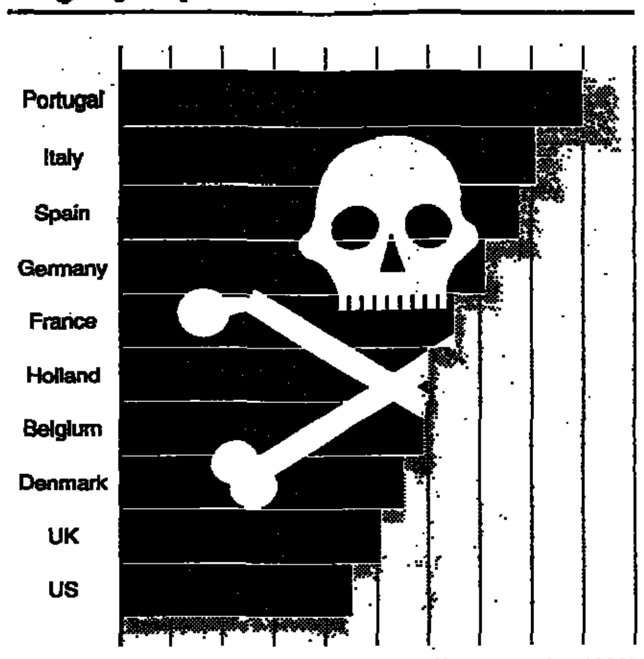
Smith is swift to point out that the BSA is scrupulously thorough in its research into organisations before it applies for a court order. Only those where managers are clearly in breach of copyright laws – not those where unwitting employees bring in copied discs – are pursued. "These people are your customers, after all," says Smith. "The last thing you want to do is offend them."

Tip-offs from disgruntled data processing managers or PC dealers – if a company buys a dozen PCs but only one set of software, for example, suspicions are raised – are checked against software company records of purchases. In many cases the culprits flout the law, says Smith. "In some companies the people have said to the software sales staff: 'I don't want to buy any software. I'll just copy it'."

Both large companies and small are scrutinised. In the case of MGN the search involved some 400 computers in five premises. In the Netherlands, a business with just 60 PCs has been searched.

Once the appropriate evidence is gathered and the court order obtained by lawyers acting for one of the software companies involved, action is swift. The following day the order is served by a UK solicitor, who explains the terms of the order in "ordinary everyday language", says Michael Cover of City solicitors Davies Arnold Cooper, one of the two legal companies which have been involved in UK investigations. Once the order is served the premises are searched.

Illegally copied software in use



Source: BSA

In the UK no discs are seized. Instead, the raiders audit each PC in the building, writing down the serial number (or name of the user if this is unavailable). Then they copy information from the hard disc about the software packages and files used, using a program specially developed for the BSA called Search II. To prevent the spread of viruses a new diskette is used to gather information from each PC.

This information takes two forms. First, the program searches for the fingerprint of specific packages – a string of code which would identify the Lotus 1-2-3 package, say. This is noted along with any serial number identifying the individual package.

Then Search II compiles a list of all the computer programs. From these it computes a special algorithm, producing a 10-digit number which is unique to that combination of programs. This is noted on the document to be checked against the PC at a later date to ascertain whether files have been tampered with or deleted.

If the raiders suspect files have been deleted on their arrival – in one case in Italy the raiders went out to lunch and discovered on their return that all the files had disappeared – they can run a package called Norton Utilities which identifies the erased files. Just as important, it identifies when they were erased.

With the diskette and the paperwork for each audited PC stapled inside its own plastic envelope, the raiders return to base to process the data. From the print-outs the BSA can compile a spreadsheet of the software run on each PC. "Not until 48 hours later do we really get a complete picture of what we've found," says Smith.

From there it is up the culprit company to decide what to do. "We almost always sit down with the company to tell them what we've found," Smith adds. "Often we can settle it in a few days."

Those companies that concede defeat do not get off lightly. The BSA insists that they erase all the illegal software and buy new packages. On top of that they have to pay the cost of the raid and legal fees. And they have to pay for the use of the illegal software. So if the company had been illegally using 20 copies of a word processing package which retailed at £499, it would have to pay nearly £10,000.

"Some people say it is unfair that they should have to pay for the software twice," says Fox Borgerhoff Mulder, international legal council for Lotus and vice president of the BSA. "But if you only had to pay once there would be no penalty." The BSA also insists that a press statement is issued.

Only one out of every five targeted European companies settles quickly: the other four decide to fight. But the BSA is optimistic that as prosecutions rise, so will the proportion settled out of court.

Smith is sensitive to assertions that the BSA is a group of American lawyers defending the interests of US software companies. (All seven of the companies represented by the BSA – such as Lotus, Microsoft and Autodesk – are headquartered in the US.)

He argues that when software piracy is widespread it cripples the indigenous software companies too. "One of the tragedies is that in Italy a few years ago there were a number of struggling software companies there. They don't exist anymore."

Karen Conway, of US lawyers Covington and Burling, highlights Portugal as another example. "If you're a local developer in Portugal you can't get off the ground because of piracy," says Conway.

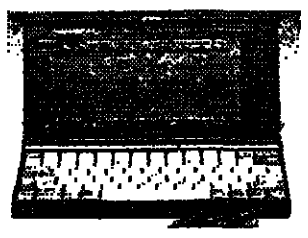
Widespread as software piracy is in many southern European countries the BSA recognises that it has an even bigger problem to face: eastern Europe.

POCKET COMPUTERS

A lot packed into one Poqet

By Louise Kehoe

Unlike most other "palmtop" computers that have their roots in the electronic organiser or calculator markets, the Poqet PC is a miniature IBM-compatible personal computer, with the power and versatility of a low-end desktop model.



Not much bigger than a video-tape, and weighing just 1.2 pounds, the Poqet is one of the smallest full-function personal computers available. It can run for weeks on two standard "AA" alkaline batteries.

Miniaturisation makes the Poqet usable in situations where a desktop computer would not be practical. It does not, however, alter the basic nature of the machine. Personal computers of the "XT" generation are not very "user friendly" and the Poqet is no exception. It is clearly designed for the personal computer user who wants a second, carry-along machine.

Although the Poqet comes with a range of software "tools" including a calculator, write program, scheduler, address book and communications software, these are rudimentary programs that are unlikely to satisfy most users' needs.

Standard personal computer applications such as Lotus 1-2-3 or WordPerfect can, however, be downloaded from a desktop personal computer on to the Poqet's memory card. But the memory cards are not cheap. A 2 MByte "flash memory" card, with sufficient capacity to store three or four programs, sells in the US for about $600.

The Poqet has two memory card drawers, each of which simulates a disk drive, plus internal read-only memory (Rom) for its built-in programs. The latest version comes with 640K of internal data storage.

The most disappointing feature of the Poqet PC is the liquid crystal display. Unlike most palmtops, the Poqet boasts a full 80-character 26-line display, matching that of a full-sized desktop computer screen. But because the display is much smaller, the text size is extremely tiny. At arm's length it is not easy to read.

The keyboard is shrunk to fit the palmtop format. In place of the calculator-style keys of some other palmtops, the Poqet's key caps are full sized, but the spacing between keys is 15 per cent less than on a standard keyboard. Touch typing requires small hands and some dexterity. This is not the machine to choose if you are writing a novel, although it will suffice for a memo or brief report.

Perhaps the Poqet is just too small. A notebook-sized computer with similar features would be easier to use for many applications. For those determined to "pack light", however, the Poqet is the smallest machine in its class.

The Poqet was introduced in the US two years ago with much fanfare, but sales have yet to live up to early expectations. The Poqet seems to have found its niche in the portable computer market as a miniature communications terminal. Sold now primarily through value-added resellers, including Digital Equipment, the Poqet is being offered as an e-mail terminal for field sales and service personnel.

However, the current version of the Poqet lacks an internal modem, the device needed to hook up a computer to a phone line. An external modem, about the size of a pack of cigarettes, can be plugged into the back of the unit with a special adapter. Other extras include a floppy disk drive.

The list price for the Poqet in the US is $1,495 (£999 in the UK). Memory cards, an external modem and other add-ons are all extra. These prices place the Poqet well beyond the consumer price range, although discounting is common and dealer prices vary.

The series will continue next week.

When prejudice provides an additional impediment

Charles Batchelor reports on problems facing the disabled

Vic Gerhardi, co-director of Rakewell, a computer consultancy, says he knew the moment he walked into the room of one potential client that he would not get the contract.

"The chap gave me a look as if to say: 'What the hell have I got here?'," Gerhardi recalls. "I knew I was not going to make any headway. I can understand that reaction if he had not been confronted with it before."

"It" was the fact that Gerhardi, together with his business partner Andy Berry, suffers from cerebral palsy, a condition caused by an injury to the brain which affects control of movement.

Despite such instances of prejudice, Gerhardi, an electrical engineer by training, and Berry, who has an MSc in computer science, have built up their Milton Keynes-based company over the past five years to the point where it has annual turnover of £100,000.

"We were both fed up with our jobs," says Gerhardi. "We said: 'Let's go it alone.' We haven't regretted it. It has given us fuller lives than a nine-to-five job."

Berry and Gerhardi have overcome considerable practical problems to establish a business but disabled people have been largely overlooked as a source of entrepreneurship, despite the enthusiasm for enterprise which developed in the 1980s.

It is true that 14 per cent of disabled people are self-employed, compared with just 13 per cent among the working population in general, but this simple statistic is misleading. Self-employment has often meant traditional home-based activities such as basket making and chair caning. These have usually been subsidised and, while giving the disabled person a degree of independence, have not been seen as a serious opportunity to earn a living.

Disabled people frequently find themselves condemned to low-skilled jobs at home or in day centres. If they do find work in the outside business community they often have very limited career prospects. Derek Coffey set up Herdcare to providing a hoof-clipping service to farmers in the Warrington area, after a farm accident led to the loss of the sight in one eye. "The Job Centre only had menial jobs on offer," he says

Simon Baldwin, who is partially sighted and finds normal lighting levels uncomfortable, decided to become self-employed after art college. "I knew I wanted to work on my own," he says.

Baldwin makes replicas of weapons for collectors, museums and film and TV companies. His Colchester-based business, Firebase Replica Weapons, produces an income of only £5,000-£6,000 but he is building it up slowly.

One of the first problems faced by the disabled is that self-employment means that they have to give up some of their state benefits. If their business idea does not work and they then need to go back onto benefit this can be a problem. Disabled people who receive invalidity benefit are not able to register as unemployed and so are, in theory, barred from the Enterprise Allowance Scheme, which guarantees a weekly payment while they get started.

But the greatest barrier that disabled people have to overcome is one of credibility. As Vic Gerhardi found, able-bodied people frequently associated disability with ill-health, dependence or frailty. The hard of hearing are often assumed to be simple-minded.

Julia Schofield, founder and managing director of a Richmond, Surrey-based computer training consultancy, says she puts a lot of work into preparing for meetings. "If I turned up to a meeting untidy people would say it was because I was blind and not, for example, because I had slept through my alarm clock."

Schofield, who worked in both government and commercial research organisations before setting up in business, employs 15 staff and has turnover of £450,000. But she still finds, for example, that airlines will park her in a back room with the unaccompanied schoolchildren instead of ushering her into the VIP business lounge.

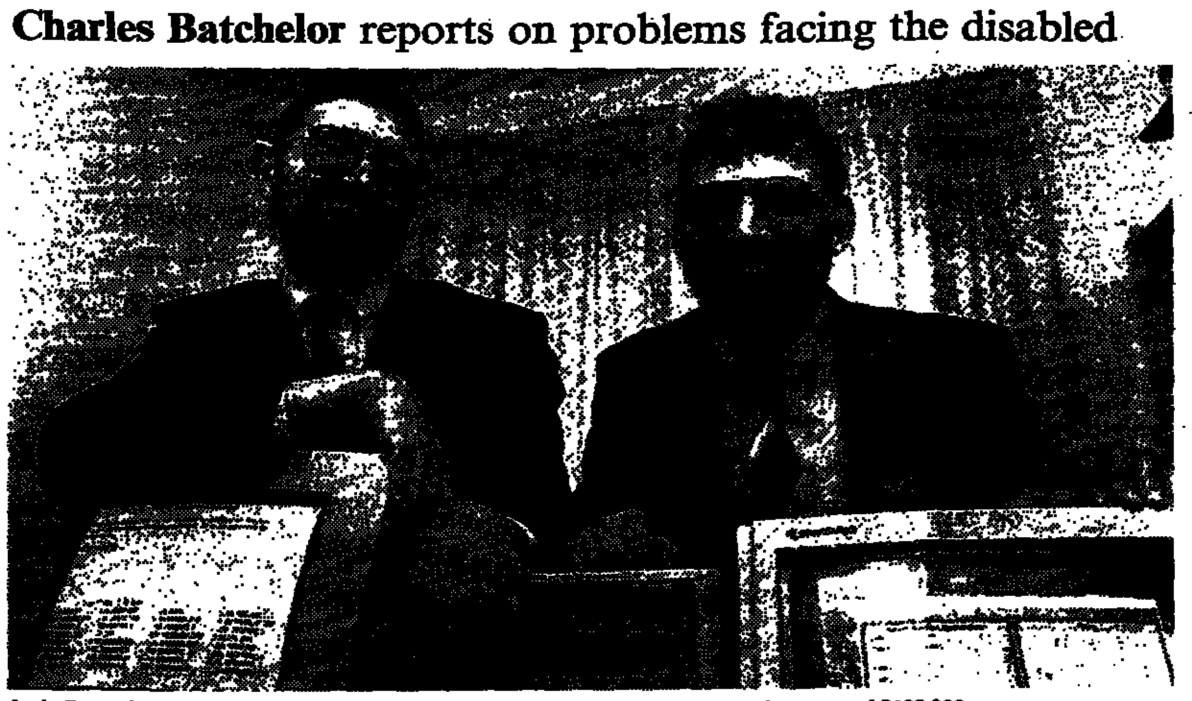
Disabled people often face difficulties with access and mobility. Vic Gerhardi can drive to appointments but may then have to ascend a flight of steps which lack a hand rail. Schofield uses her guide-dog, Yates, in the UK but is unable to take him with her on foreign trips.

Carrying out market research and dealing with the mass of documents that stream into any business is also a problem for people with limited vision or restricted movement. Technology has, however, improved matters. Faxes and computer networks make it easier for the disabled to communicated with customers and suppliers.

Leigh Stirling, a blind singer and songwriter who set up his own recording studio in Manchester five months ago, says he is able to handle his book-keeping by using a computer which can speak to him and tell him what is on the screen.

Computers can also present on-screen information in very large characters for the partially-sighted or convert screen information electronically into braille.

A combination of determination and new technology may give many disabled people a boost in starting up in business but is it wise to encourage them to take the risk of setting up on their own? Detailed studies have yet to be carried out but a recent survey of people taking part in the Enterprise Allowance Scheme found that disability did not affect the likelihood of a business surviving.



Andy Berry (left) and Vic Gerhardi: built up their computer consultancy to a turnover of £100,000 a year

Breaking down the barriers

Little has been done to devise enterprise training or assistance programmes for the country's 6.2m disabled people, or for the 100,000 disabled youngsters who enter the job market each year.

"People with disabilities make up a significant pool of entrepreneurial talent as yet largely untapped," according to the Employers' Forum on Disability, which helps companies recruit disabled people.

This neglect results from the emphasis which charities for the disabled have put on overcoming prejudice against disabled people in the mainstream jobs market. With just 31 per cent of the disabled population of working age in work, they have seen their first priority as overcoming the barriers to employment.

The disabled charities may also have inadvertently created barriers to enterprise for their clients. Charitable appeals tend to reinforce the image of the disabled as depending on the help and generosity of others. This does not improve the chances of persuading the able-bodied population that the disabled are capable of running a business.

Change is under way, both within organisations for the disabled and within those which provide enterprise training to the population generally. The Royal National Institute for the Blind (RNIB) set up a small business unit just over two years ago to provide training courses and advice. Beryl Morton, manager of the unit, estimates that her four-strong team helps about 200 people a year.

The RNIB runs courses on subjects such as the Single European Market and quality control, as well as on more traditional areas such as running a piano tuning business and bicycle repair. Morton also spends a lot of time helping her clients deal with local authorities and other organisations which provide grants and assistance.

Business in the Community, the umbrella organisation for enterprise agencies, has also taken up the cause of disabled would-be entrepreneurs. Earlier this year it published guidelines* to help agency staff target the disabled and better respond to their needs.

In Northern Ireland, LEDU, the province's small business agency, has run several training programmes for the disabled while the North London Training and Enterprise Council (TEC) is to start a course early next year.

The Prince's Youth Business Trust, which provides advice and finance to help disadvantaged young people up to the age of 25 start in business, recently extended the age limit for disabled clients to 30. From next month it will start collecting more data on its disabled clients in order to be able respond more effectively to their needs.

These efforts seem set to find a receptive audience. The drive for independence among disabled people, many of whom resent the dependent status forced upon them, appears if anything to be even stronger than that which drives most entrepreneurs.

Providing Business Support to Entrepreneurs with Disabilities. BiTC Tel. 071 253 3716.

Contact RNIB Small Business Unit. Tel. 071 388 1266; Prince's Youth Business Trust. Tel. 071 321 6500; LEDU 0232 691432; North London TEC. Tel. 081 447 9422.

Cap takes the risk out of rates

Large corporations were able to ride out the sharp interest rate increases of the late 1980s by buying sophisticated financial instruments such as caps and swaps to put a limit on their interest charges. Small firms were unable to cover their risks in the same way because these instruments were not available in the smaller amounts they needed.

This gap has now been filled by an interest rate cap facility being offered by Johnson Fry Securities, a financial services group perhaps best known for its Business Expansion Scheme activities. The Johnson Fry cap is available on loans of £30,000 and more, a far smaller amount than that on offer from the large banks.

The cap facility works by paying out if interest rates – in this instance the London Interbank Offered Rate (Libor) – go above an agreed level. The payment should compensate for the higher interest rate being charged on the underlying loan.

Unlike a fixed interest rate loan, which also guarantees against upward interest rate movements, the cap does not prevent the borrower from benefiting from falls in rates.

The cap currently on offer can be bought for a cost, including Fry's charges, of 1.37 per cent for three years of cover and 1.91 per cent for four years. It pays out each quarter that three-month Libor rises above 10.5 per cent at the start of the quarter.

The caps which are available from the banks have typically not been available on sums of less than £500,000, though National Westminster says it offers a cap calculated on base rate rather than Libor for amounts as low as £100,000, while Midland says it will go below £500,000 if the cap can be tied in to the underlying loan.

Johnson Fry will buy a £1m interest rate cap on the first and fifteenth of each month, provided there are sufficient applications to cover the £1m figure, and then divide it up into sub-contracts for individual clients.

Charles Batchelor

Johnson Fry. Tel 071 321 0220.

Fair shares for all

The growth of employee share ownership has been stymied in the UK by the complexity of the legislation and Inland Revenue suspicions of the motives of owners who transfer shares to their employees.

To overcome these difficulties a model Esop format* has now been launched by the Esop Centre, a non-profit organisation, and Pinsent & Company, a corporate law firm based in Birmingham.

The model Esop trust deed should enable business owners and their professional advisers to cut through the legal formalities normally associated with drawing up an Esop and reduce legal fees. The model has been agreed with the Revenue so Esops modelled on it should pass the taxman's scrutiny more rapidly.

The Esop Centre hopes the model will give a boost to "statutory Esops," which benefit from capital gains tax exemptions but which have proved more difficult to arrange than "case law Esops". Only about three statutory Esops have been set up, compared with 200-300 case law Esops.

"We hope this will bring about a break-through," says Malcolm Hurlston, chairman of the Esop Centre. "This will mean that Esops go from being a toy for the alternative sector to being the normal route for family-owned companies to distribute shares to employees."

Statutory Esops still face a significant hurdle in a requirement that the majority of trustees must be employees of the company to ensure the owner does not continue to dominate.

**From Esop Centre, 2 Ridgmount Street, London WC1E 7AA. £750 plus VAT.*

Useful reading: Employee Share Ownership Plans: The Use of Trusts with Employees' Share Schemes. Longman Intelligence Report 2nd Edition.

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D.R. Keast
Assistant Secretary

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December 5 1991

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Simplicities that enchant the eye

William Packer on Morandi at the Tate and Carter at Knoedler

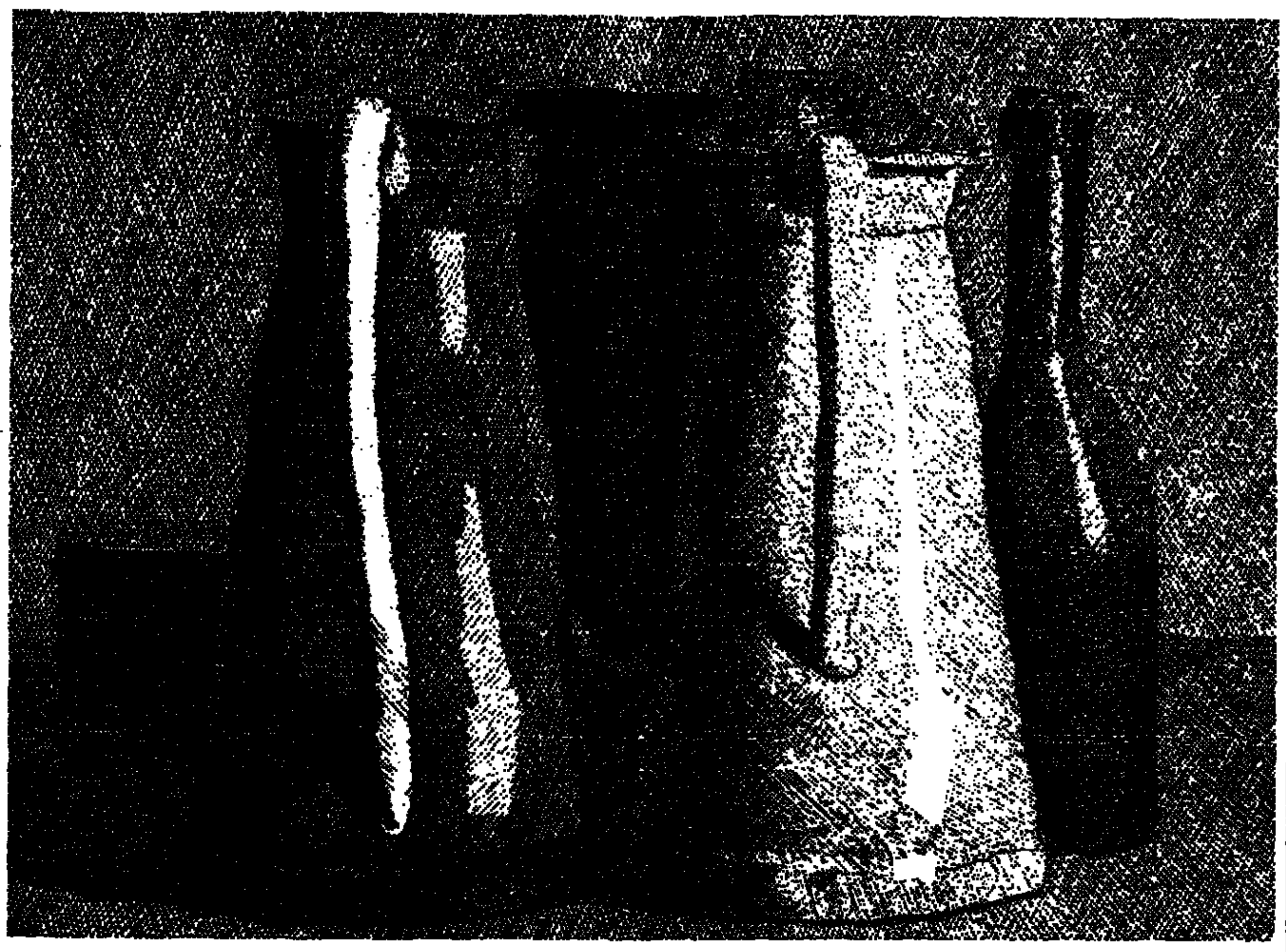
Though it would seem to fly in the face both of common sense and the work ethic, it is one of the great mysteries and delights of art that the utmost simplicity may still *enchant* the eye, the ear and the imagination. The simplest chord or phrase, the cleanest line, the silent form, as Keats well knew, may still "tease us out of thought/ As doth eternity." In the modern period, such ideas of simplicity have been a particular preoccupation and article of faith. Minimalism may not enjoy quite the avant-garde vogue it lately had, yet it still has the power to command the contempt of the many, who would rather look to detail and anecdote. "Is that it? My child could do that."

Perhaps: but a true simplicity is harder won. The point is gently made, yet with exquisite force, in an exhibition at the Tate Gallery (until February 9) of etchings by Giorgio Morandi. Though he taught etching over many years, and his own practice spans the greater part of his working life, only 135 of his prints are known, of which some are lost and some exist only as single proofs. This group of 48, variously of landscape, still-life and flower pieces, the earliest dating from 1913, the latest from 1961, comes from the collection of the Morat-Institut at Freiburg in Breisgau.

Morandi died in 1964, aged 74. He lived and worked throughout in his native Bologna, or the Appenines, where he found his principle landscape subjects. While he was a painter first and last, a period of concentrated activity as an etcher in the mid 1920s led to his appointment in 1930 as professor of engraving at the Academy of Fine Arts in Bologna, where he had been a student. As a young man, he had looked closely at Cézanne and was clearly familiar with the work of his cubist and futurist near-contemporaries. He was, for a period before 1920, closest of all to the metaphysical painters of the Italian avant-garde, de Chirico and Carra especially, and though an apparent naturalism thereafter reimposed itself in his work, he remained in essence a metaphysical all his life.

Quite why his work is so intriguing is hard to say, for there would seem to be so little of it, and less to it: a few jars and bottles on a shelf, a few trees and houses on the hillside. And there are the cone, the cube and the sphere, disposed in space and achieved with an extraordinary, self-effacing economy of means. The repetition of image is insistent, mantra-like, an insistency that in the etchings is given added force by the vigorously methodical cross-hatchings which alone conjure the image onto the page.

The same boxes, jars and bottles reappear upon the studio table, over the years, now put this way, now that. Space is the true subject, articulated by the simple mass and form of familiar objects on the table top, or the orchard trees in the field before the house. A jug is a jug is a jug, a bunch of zinnias a bunch of zinnias. There is only the space occupied, the void filled and the gaps between. Here are landscapes, townscapes of the mind, abstracted architecture, to which the real architecture of the village plays counter-point. And with the repetition, the regularity, the sheer familiarity of it all, particular meaning and recognition fall away, the meaning itself left hanging like a shadow in the air.



'Still Life with Five Objects' by Giorgio Morandi, 1956

Morandi was a great artist in the way that his particular hero, Chardin, or Vermeer, or Gwen John was a great artist: not master on the grand scale, nor of great scope and variety within the work, but recognisable as great nonetheless for the consistency, integrity, concentration, at the last, for the nagging, haunting, palpable beauty of the work.

John Carter, whose latest work is now at Knoedler (22 Cork Street W1: until December 18), is no Morandi, in that he describes or responds to no observed reality. His subject rather is the abstract reality of physical geometry: again the cube and the cone, or rather, in Carter's case, the square and the rectangle, whether actual or perceived. For the void between is an active element in the reliefs that Carter makes, the overlay of figure upon figure repeatedly projecting rectangle or parallelogram beyond the actual physical presence.

Carter is far from sharing in Morandi's quirky, somewhat wonky delicacy of statement, yet the sensibility is not so very different. The range of imagery is similarly narrow, the tone and colour no less restrained, the surface quite as undemonstrative. They have in common an underlying precision and definition to the work, though the one may be softer, the other altogether sharper and more consciously elegant in the finish of the work, Carter very much the Whistlerian dandy among British constructivists in his arrangements in blue and grey.

The wit engages the viewer at once, drawing him into the visual game and puzzle that is proposed, pulling space and form to and fro, in and out. And yet again such matter falls away, not to disappear, but withdraw discreetly, leaving the object itself just as it is, holding its own ambiguous space upon the wall. There is the painted surface, with all its connotations and possibilities of the imaginary pictorial space. There is the object in its material substance, a manifest chunk of stuff, inches thick, full of holes.

Now in mid-career, nearing 50 and having shown at regular intervals for more than 20 years, Carter is only now attracting the more official and representative attention he has always deserved. His is not an unusual case in British art and, given the clear, ironical intelligence and teasing cleverness of what he does, when lumpen, humourless high-mindedness would have been more the thing, not altogether unsurprising. But good for him.

The Miser

ROYAL EXCHANGE, MANCHESTER

This is the second big production of Molière's *The Miser* in England this year. The first was at the National Theatre and at least had the merit of showing that Moliére is as playable in English as in French. The production at Manchester is even better because it is funnier, shorter and altogether less pretentious. Seeing it at a crowded matinée on Saturday, I found scarcely a fault.

The show revolves around Tom Courtenay as Harpagon, the miser. Courtenay is a bit of a northern star, having played the hero in the film of Alan Sillitoe's *The Loneliness of the Long Distance Runner* and appeared at the Royal Exchange Theatre, Manchester several times before. It would be quite wrong to say, however, that the big man does it all on his own. The triumph of Braham Murray's direction is that this is a team performance.

First, the theatre itself: not so much in the round as in the square. There are seats on all sides and at all levels. Some of the accoutrements seem to have been borrowed from the Lloyd's building. There is a wonderful set, designed by Simon Higlett: some faded Louis XIV furniture, an old French bath into which someone duly falls, and a primitive loo surrounded by bundles of withering pink newspapers – utterly appropriate for a man who makes his money out of a close watch on the markets.

In short, this is archetypal French-peasant-land; the only surprise is that the gold is not kept under the mattress. Courtenay's Harpagon has peasant written all over him: black beret, old morning coat and trousers just about kept up with safety pins. The clue to his playing that he is not really such a bad fellow at heart, just a peasant clinging to his money.

The reward of that approach is that it eliminates some of the violence that was written into the National Theatre production. Under Murray's direction, *The Miser* is essentially a comedy. When Harpagon gives up, outwitted, in the end, he does so with relatively good grace. No-one kicks him gratuitously in the teeth or decants his money onto the floor.

That fits with the spirit of the rest of the play. It is a fantasy, not a vendetta. The men, as nearly always in *The Miser*, star more than the women. *Mâitre* Jacques, who in Harpagon's household has to be both chef and coachman, turning his clothes inside out to fit the moment, is one of the minor gems of European theatre. Colin Prockter plays him superbly, chop whiskers and all. Even in one of the tiniest parts, Edward Harbour's gendarme, everything is right.

As for the women, Polly James's Froisine, the intriguer, is a more satisfactory interpretation that Eleanor Bron's at the National because she does not attempt too much. It is she who falls into the bath. The translation by Robert Cogo-Fawcett and Murray himself is marvellously fluent. One's only regret was that the production is slightly too short. It runs at Manchester until January 18 before a 10-week tour. Catch it where you can.

Malcolm Rutherford

Nanci Griffith/Bonnie Rait

HAMMERSMITH ODEON/ALBERT HALL

In the past week London has welcomed two of the more acceptable faces of American chanteuse – the demure Nanci Griffith and the raunchy Bonnie Rait. For all the differences in musical pedigree and performance style their acts ran along curiously parallel lines: they both hinted at personal lives of unspeakable anguish and at salvation through music. It was as if the audience was part of their therapy, in marked contrast to the days when performers were expected to entertain. It could be that both are cusping 40 and at a reflective stage of life.

Ms Griffith was the more enjoyable. She had the better venue in the battered old Odeon: the Albert Hall was quite wrong for a blousy, red haired, reformed blues blaster like Bonnie Rait. Also Nanci *is* the more interesting personality, a church mouse with a grip like a ferret. She talks, sometimes interminably, in a squeaky simper and then sings with the resonance of a Wurlitzer organ. Her southern roots and the country flavour of her material suggests an artless simplicity but her years as a school teacher ensure that she runs a disciplined act: at one time we had to pronounce "aluminium" with an English accent.

As her success grows so Nanci Griffith moves towards more sophisticated material, songs of lost love, and dreams for bored housewives, of which her latest work, "Late night Grand Hotel" is a superb example. At the moment she gets the best of all worlds, retaining the milksop sweetness of "From a distance" and the folksy ingenuity of "You make this love a tear drop waiting to fall" while adding more challenging insights. She insists that the wholesome exterior hides a bruised woman, claiming that songs like "Its a hard life" are almost too painful to perform, but whatever the story Ms Griffith still come across as a person guaranteed to knock some sense into your lazy eight year old.

Bonnie Rait looks more knocked about but she, too, has little to moan about. After years of neglect she has achieved the great cross over, into the hearts of the Capital Gold audience, the folks who buy compact discs and like their love songs wrapped in a little rock. Her voice is still a belter and when dipping into her wild past on "Three time loser" the body stirs. But it is hard to put over bar room blues amid red plush and gilt and Ms Rait's put upon personality was frankly off putting. Both girls were supported by excellent bands and both brightly commented on British politics. Nanci, with her hope that Mr Major might help the homeless at Christmas, showing a surer touch than Bonnie's speculation that the empty box at the Albert Hall might belong to Mrs Thatcher.

Antony Thorncroft

Mozart and his debt to Benda

QUEEN ELIZABETH HALL

There was on Sunday a fascinating pendant to the Mozart bicentenary: an item of undoubted historical importance, by a composer whose work made a notable impression on the young Mozart, brought surgingly to life in a QEH staging.

This was *Ariadne auf Naxos* (1775), the hour-long *melodramma* by Bohemian-turned-Prussian composer Georg Benda. It was not the first experiment in layering spoken declamation within and above a carefully shaped orchestral accompaniment, but along with *Medea*, Benda's second *melodramma*, it was by far the most influential.

Composers of dramatic music learnt from Benda a new way of twisting the screw in scenes of urgency or emotional turbulence. The grave-digging scene in *Fidelio* and the Wolf's Glen scene in *Der Freischütz*, not to mention the spoken passages of Mozart's *Zaide* (given by the same forces two days earlier and reviewed below), are among the more significant fruits of the discovery.

As revealed here, in Roger Savage's new and very stylish English translation, Benda's original remains an enthralling, astonishingly vivid piece of music-drama; one can understand why it had such a powerful impact. From the start – Theseus on the point of abandoning *Ariadne* – the tone of the declamation is high-pitched, yet there is a constant fruitful pull between the mailed-fist vigour of the spoken word and the Haydn-like lyrical beauty of Benda's orchestral underpinning, with its refrains suggesting unsung arias beneath the verbal torrent, emotions too deep for verbal expression.

Ariadne's plunge through loss, fury, nostalgia to final suicidal despair is paced with acute psychological percipience: at the moment, early in the unfolding, of her visionary nightmare, the whole Romantic era suddenly veers into view.

Mozart's enthusiasm for the piece – he called it "really excellent", and carried it with him at all times – was not misplaced. Sunday's three fine actors, Andrew Hobday as Theseus, Susan Tracy as the Genius of the Island, and the marvellously impassioned, affecting Cathy Tyson as Ariadne, made us share every particle of it.

Indeed, if all passages of speech-in-opera were undertaken with this sort of articulatory vigour, none of the oft-argued nonsenses about their built-in ineffectiveness would ever be heard again. John Abulafia was the producer, Ivan Fischer the conductor of the Orchestra of the Age of Enlightenment.

Max Loppert

In one sense *Zaide*, Mozart's unfinished *Singspiel* (if that was indeed what he intended it to be) is no longer an unknown quantity: Friday's performance, with the Orchestra of the Age of Enlightenment, was at least the fourth in London within the past twenty years or so.

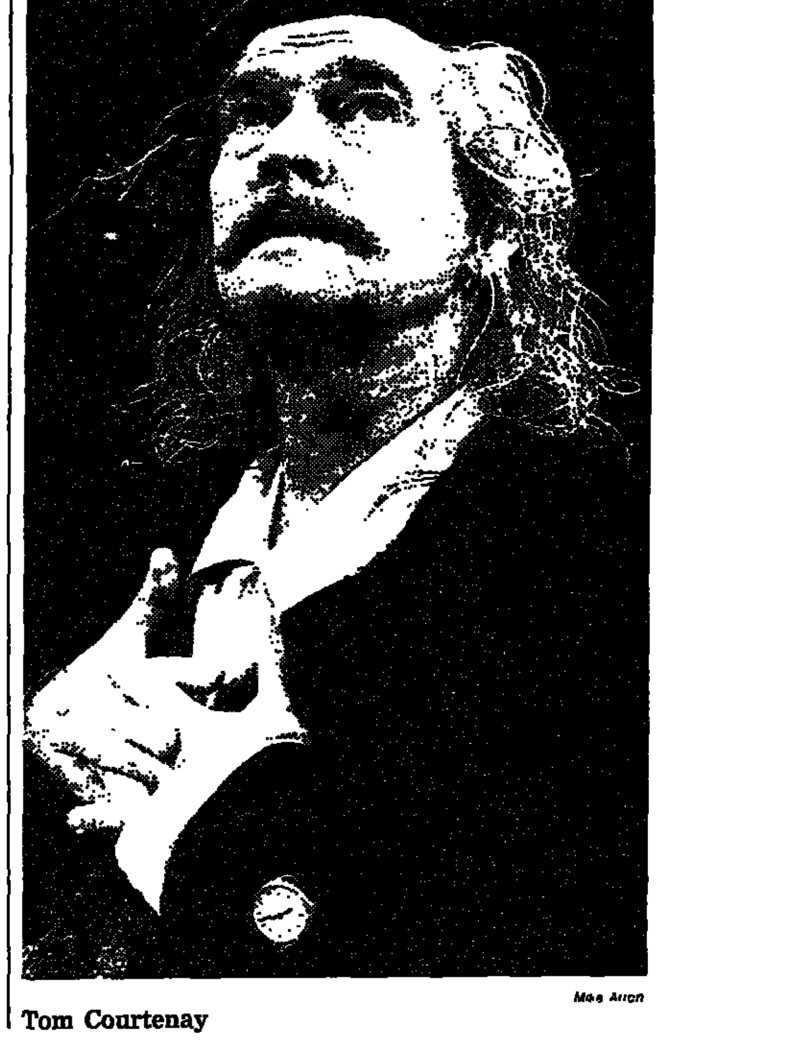
In another sense *Zaide* will probably be an unknown quantity forever, for what remains of its text is only what Mozart had actually set. We do not know even how the story was to end – whether happily, like the *Abduction from the Seraglio* which it so much resembles, or sadly.

One thing that *is* clear is that if Mozart had completed *Zaide*, he would never have composed *Seraglio*. So there was a net gain: we have one whole, delightful *Singspiel* and a fascinating torso as well. This time Ivan Fischer and the OAE used a text commissioned from Italo Calvino several years ago (and performed at the Old Vic), which in its Calvino-ish way makes an ideal solution. The 15 musical numbers are linked by narration, but the narrator also keeps exploring the alternative paths which the story *might* have taken. Thus there is no fake completion, and yet the arias and ensembles are nicely set up.

Nicholas Woodeson delivered the text briskly and clearly, though I should have liked more of an illusion that he was making it up on the spot. Since the soprano Amanda Roocroft is still unwell, Catherine Bott stepped into the role of Zaide at short notice: she sounded faintly uncomfortable with the best-known aria, "Ruhe sanft", but rose beautifully to the lyric demands of her second number, and attacked the "Tiger!" showpiece with a will. Barry Banks spoke and sang the hero Gomatz (cousin to the Belmonte of *Seraglio*) efficiently, without much allure.

Alan Opie wielded more voice as Allazim, a substantial character of mysterious loyalties, and Neil Jenkins struck high drama – some of it "melodrama" in the old sense, spoken declamation with orchestral support – as the sultan Soliman. Brian Bannatyne-Scott enjoyed himself in Osmin's single aria, and all the ensembles (a duet, a trio and a splendid quartet at the "end" which isn't one) went with conviction. Fischer and the OAE were fresh and sprightly with the score, enough to make us forget that it lacks any of the piquant "Turkish" effects of *Seraglio*. John Abulafia's crisp, unpretentious staging offered everything the torso needed.

David Murray



Mae Arion

Tom Courtenay

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Roberto Benzi conducts the Netherlands Philharmonic Orchestra in Janacek's Sinfonietta and Dvorak's Cello Concerto, with Miklos Perenyi, repeated on Sat. In the Kleine Zaal, Gustav Leonhardt gives a harpsichord recital. Tomorrow, Thurs, Fri and Sun: Kurt Sanderling conducts Sibelius and Bruckner (6718 345)
Muziektheater 20.15 Dutch National Ballet in Rudi van Dantzigtomorrow and Fri. Thurs and Sun afternoon: Luisa Miller (6255 455/credit card bookings 6211 211)

■ BERLIN

Staatsoper unter den Linden 19.00 Fabio Luisi conducts I vespri siciliani, sung in German. Tomorrow: Der fliegende Hollander. Sat: Aida. Sun and Mon: Nutcracker (East Berlin 2004 762)
Komische Oper 19.00 Jorg-Peter Weigle conducts Harry Kupfer's production of Antigone oder die Stadt, new opera by Georg Katzer.

■ BONN

Oper 20.00 Rona'd Hynd's ballet Rosalinde, music by Johann Strauss arranged by John Lanchbery. Tomorrow and Sun: Don Giovanni with Renato Bruson, Edita Gruberova, Gösta Winbergh and Inga Nielsen (773667)

■ BRUSSELS

Palais des Beaux Arts 20.00 Jörg Faerber conducts the Württemberg Chamber Orchestra in music by Stamitz, Bach, Corelli and Mozart, with Barbara Hendricks soprano and Hakan Hardenberger trumpet. Sun: Ronald Zollman conducts the Belgian National Orchestra and Brussels Choral Society in Berlioz's Les Nuits d'Ete and Mendelssohn's Lobgesang Symphony (507 8200). The Monnaie has Mark Morris' choreography The Hard Nut on Thurs and Sat, and his new production of Le nozze di Figaro on Fri and Sun (219 6341)

■ COLOGNE

Philharmonie 20.00 Valery Gergiev conducts the Gürzenich Orchestra in Prokofiev's Seventh Symphony and Mozart's Piano Concerto No 18, with Elisabeth Leonskaja. Tomorrow: Jörg Faerber conducts the Württemberg Chamber Orchestra, with soloists Barbara Hendricks and Hakan Hardenberger. Thurs: Bach's Christmas Oratorio. Fri and Sat: Christian Zacharias plays Schumann's Piano Concerto with the Cologne Radio Symphony Orchestra. Sun: Gurzenich Orchestra plays Mozart and Reger (2801)
Opernhaus 20.00 Meyerbeer's L'Etoile du Nord (1854), by members of the Cologne ensemble. Tomorrow and Fri: Hansel and Gretel. Sat: Die Zauberflote (221 8400)
Schauspielhaus 19.30 Schiller's The Robbers, directed by Torsten Fischer, also Fri. Thurs: Jean Genet's Les Bonnes (The Maids). Fri in **Kammerspiele:** Arthur Schnitzler's Fraulein Else (221 8400)

■ FRANKFURT

Alte Oper 20.00 Piano recital by Yefim Bronfman. In the Mozart Saal: Prazak Quartet plays string quartets by Schoenberg, Webern and Dvorak. Tomorrow: piano recital by Tzimon Barto. Fri: Horst Stein conducts the Bamberg Symphony Orchestra. Sat: Jiri Belohlavek conducts Dvorak programme with the Prague Symphony Orchestra and Chorus (1340 400).
Opernhaus 20.00 Jazz concert with the City Stage Band. Tomorrow and Sun: Shostakovich's The Nose, staged by Johannes Schaaf. Thurs and Sat: Lohengrin with Helena Doese and Anja Silja. Fri: Les contes d'Hoffmann (236061)
Jahrhunderthalle Hoechst 20.00 Andrew Lloyd Webber's Evita, also tomorrow and Thurs (3601 240)
English Theater Kaiserstrasse 20.00 Blood Brothers, musical by Willy Russell. Daily except Sun till Feb 22 (2423 1620)

■ LONDON

Sadler's Wells 19.30 Paul Taylor Dance Company triple bill. Daily till Sat (071-278 8916)
Covent Garden 19.30 Frederick Ashton's Royal Ballet production of La fille mal gardee, with Lesley Collier, Irek Mukhamedov and David Bintley (071-240 1066)
Royal Festival Hall 19.30 Jane Glover conducts the RPO and Huddersfield Choral Society in Mozart's arrangement of Handel's Messiah, with soloists Joan Rodgers, Alfreda Hodgson, Martyn Hill and David Wilson-Johnson. Tomorrow in **Queen Elizabeth Hall:** Henze conducts the London Sinfonietta (071-928 8800)
Barbican 19.15 Ian Humphris conducts Handel's Messiah, with the New Chamber Orchestra and National Westminster Choir. Tomorrow: RPO plays Mozart, Mendelssohn and Pachelbel (071-638 8891)

■ MADRID

Tonight's concert at the **Auditorio Nacional de Musica** is given by the Spanish Chamber Orchestra, directed by Jose Luis Temes. The programme includes Pachelbel's Chaconne and Albinoni's Adagio. On Thurs, Domingo Tomas, accompanied by Zdravka Radoilska, plays Mozart violin sonatas. This week's Spanish National Orchestra programme (Fri, Sat, Sun) is conducted by Juan Pablo Izquierdo. (337 0100)

■ MILAN

Teatro alla Scala 19.00 Riccardo Muti conducts Cesare Lievi's production of Parsifal, with Placido Domingo as Parsifal, Waltraud Meier as Kundry, Robert Lloyd as Gurnemanz and Hartmut Welker as Amfortas. Until Dec 29, with next performances on Fri and Sun afternoon. Thurs and Sat: John Cranko's Romeo and Juliet (7200 3744)

■ NEW YORK

Metropolitan Opera 20.00 James Levine conducts Die Entfuhrung aus dem Serail, with Mariella Devia and Matti Salminen. Tomorrow: Idomeneo (362 6000)
New York State Theater 18.00 Balanchine's City Ballet production of The Nutcracker, daily till Jan 5 (870 5570).
Avery Fisher Hall 19.30 Erich Leinsdorf conducts the New York Philharmonic Orchestra and New York Choral Artists in Mozart's Requiem, plus Piano Concerto No 27 with Alicia de Larrocha. Thurs, Fri, Sat: Leinsdorf conducts Mozart and Schumann (875 5030)

■ PARIS

Opera Comique 20.00 Gabriel Bacquier in L'as-tu revue? with music by Jean-Michel Damase. Runs till Dec 31, with daily performances this week (4286 8883).
Salle Pleyel 20.30 Friedemann Layer conducts the Ensemble Orchestral de Paris in Beethoven's Prometheus overture and Violin Concerto with Gerard Poulet, plus Mozart's Prague Symphony (4561 0630). Tomorrow and Fri: James Conlon conducts the Orchestre de Paris (4563 0796)
Chatelet 20.30 West Side Story. Tomorrow at 12.45: John Lill with Prokofiev piano sonatas (4028 2840)

■ VIENNA

MUSIC
Staatsoper 19.30 Ulf Schirmer conducts Katya Kabanova, with Nancy Gustafson and with Leonie Rysanek as Kabanicha. Tomorrow: Der fliegende Hollander with Robert Hale. Thurs: Salome with Mara Zampieri and Bernd Weikl. Fri and Sun: ballet gala. Sat: Tosca with Maria Guleghina and Bruno Sebastian (51444 2960)
Volksoper 19.00 Carl Millöcker's operetta Der Bettelstudent. Tomorrow: Die Fledermaus. Thurs: Wiener Blut. Fri: Le nozze di Figaro, sung in German. Sat: Die Csardasfürstin (51444 3318)
Musikverein 19.30 Andreas Schmidt, accompanied by Rudolf Jansen, sings Winterreise, repeated on Thurs. Fri, Sat and Sun: Mariss Jansons conducts the Vienna Symphony Orchestra in music by Weber, Sibelius and Shostakovich (505 8190)
Konzerthaus 19.30 Georges Pretre conducts the Vienna Symphony Orchestra in Bruckner's Eighth Symphony. Fri: Haydn Trio plays four piano trios by Mozart. Sun: David Zinman conducts the Austrian Radio Symphony Orchestra in Prokofiev's Fifth Symphony and Sinfonia contertante, with Heinrich Schiff (7124 6860)
THEATRE
On Sat, the **Akademietheater** presents Brecht's Baal, directed by Manfred Karge (also Sun). At the **Burgtheater**, Shakespeare's The Merchant of Venice tonight and Sat, and George Tabori's Babylon Blues tomorrow and Thurs (51444 2218)

■ WASHINGTON

Kennedy Center
Tonight at 19.00 in the **Concert Hall**, Neville Marriner conducts the Academy of St Martin in the Fields in two Mozart Symphonies (34 and 41) and the Clarinet Concerto with Andrew Marriner. Fri, Sat, Sun and next Mon: National Symphony Orchestra and Choral Arts Society of Washington in Mozart's arrangement of Messiah (416 4600)
Blues Alley Jazz Supperclub
Wynton Marsalis on trumpet from tonight till Sun. Next week: Phil Woods Quintet (1073 Wisconsin Ave, 337 2338)

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(all times CET)

MONDAY TO FRIDAY

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - (global business report with James Bellini
2130-2200 (Thurs) Talking Heads - international issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

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Tuesday December 10 1991

The future of Rolls-Royce

"YOU NEED a lot of bread to own a Rolls," according to a sticker recently sighted in the window of a Rolls-Royce. Unfortunately, bread is currently in short supply in the US and UK, the two biggest markets for this uniquely luxurious car which retails at between £93,000 and £150,000. The recessions in both countries have reduced sales worldwide to less than half of last year's 3,300. Rumours indicate a substantial loss for the year.

It is perhaps not surprising, therefore, that the engineering group Vickers, which owns Rolls-Royce Motor Cars, has admitted to reviewing "many options" for the company. Though Vickers has denied that talks have begun with buyers, half a dozen likely-looking suitors have emerged. What has attracted the headline-writers is that the most obvious bidders for this quintessentially British marque are all overseas companies. Rolls-Royce could soon join other great British brands such as Marmite, the Times and Wedgewood china in foreign ownership.

The reaction of Lord Montagu of Beaulieu, owner of the National Motor Museum, is probably a foretaste of what is to come if firm bids should emerge. He said yesterday that it would be "an absolute tragedy if the symbol of Britishness fell into foreign hands", and called upon the banks to fund a consortium to keep Rolls-Royce British. The decibels may rise highest if the most keen suitor turns out to be Japanese, though it was an American company, GM, which caused an outcry in 1986 when it cast covetous eyes upon Land Rover, in the aftermath of the Westland affair.

Disparate sources

From the viewpoint of the company chairman, pop star or scrap dealer in the driving seat, however, the nationality of the company which owns Rolls-Royce Motor Cars is not likely to be critical. (Just as the British ownership of such all-American brands as Dunkin' Donuts, Brookes Bros and Smith & Wesson is equally uninteresting to Smalltown, USA.) What matters is the quality of the product and the engineering skills which go into it. Increasingly, these are assembled from disparate sources.

In the world of car production, links between national carmakers – including niche players like Rolls-Royce – are becoming the norm: Jaguar is a subsidiary of Ford, Ferrari a part of Fiat. Those which remain independent rely on the technology of larger companies: Morgan instals a Rover engine in its hand built sports cars, for example. The partnership between Rover and Honda has produced a successful range of cars combining Japanese and British engineering.

Chief asset

But the unique selling proposition of luxury cars such as Rolls-Royce is in the specification of the product and quality of the finish – the burr walnut fascias and Connolly hide upholstery. It is this which should ensure that whoever owns Rolls-Royce, the cars will continue to be assembled in the UK – an owner who took the "Made in Britain" label off Rolls-Royce would have squandered its chief asset. That is an important protection for the 3,000 remaining employees of Rolls-Royce, where some 1,200 jobs have been lost this year, and where many remaining staff are working a three-day week, and where the production line is to be shut down for two weeks this month.

Although Rolls-Royce is now making big losses, it has been richly profitable in the past – contributing almost half of Vickers' £96.5m profits last year, for example. Vickers has funded an ambitious programme of re-equipping and product development which would have replaced the present range of models over the next ten years. But the discovery that a previously recession-proof business had succumbed to the twin cycles of the US and UK has forced Vickers to reconsider its position – particularly as its defence interests are under pressure from falling post Cold War expenditures.

A new owner who can continue to modernise production and maintain the quality of the product is the best guarantee that Rolls-Royce can prosper, whatever the buyer's nationality.

Next steps for Indian reform

THE SURPRISE has begum to wear off the bold economic reforms undertaken by India in July. The government needs to maintain the momentum.

That the reforms represented a fundamental change of direction should not be doubted. Nor should the achievement so far be underestimated. Prime minister P.V. Narasimha Rao, leading a new minority government as well as a Congress party mourning Rajiv Gandhi and riven by dissension, was faced with a potentially disastrous balance of payments crisis. He refused to allow the country to default on its $70bn debt. Instead, he embarked on a programme to rebuild international confidence, to allow the fresh air of competition to blow through long-insulated industries and to tackle the rising budget deficit and inflation rate.

Some results can already be seen. India has repaid the emergency finance it obtained during the crisis. Its reforms, including a sharp cut in the fiscal deficit, have won both applause and a $2.2bn standby credit from the International Monetary Fund. Inflation has fallen – though, inevitably, economic growth has slowed. Bureaucracy has begun to relax its stranglehold over industry. More intangibly, the foreign image of India as an inefficient, centrally-planned economy has begun to blur.

Nevertheless, foreign companies are hesitant to take up the new opportunity to buy majority holdings in Indian ventures. The government had high hopes of attracting multinational manufacturers to India, but commitments have been small. Indians resident abroad have proved reluctant to bring money back home.

Central control

The explanation for such reluctance is that announcement of reforms was just the beginning. Mr Rao and the finance minister, Mr Manmohan Singh, must overcome their instinctive caution and keep on providing evidence of their determination to roll back central control.

Indian officials argue that the next substantial proof of the government's resolve will come in February's budget, for which Mr Singh has promised a further cut in the budget deficit and the first steps to reduce the high tariffs protecting Indian industry. While continued progress on the macro-economic front is essential, the reform process must be carried forward on all fronts at once, or it may falter. Decisions on reforms of public sector industries and financial institutions will be crucial.

Unionised labour

Hesitancy in tackling the grossly overmanned and inefficient public sector is understandable. Unionised labour remains politically powerful. When so many people live on the poverty line, measures likely to increase unemployment cannot be undertaken lightly. Indians are proud of the social benefits, such as banking facilities in rural areas, which socialist direction of the economy has brought. In the face of vocal opposition to privatisation – shown by a recent one-day strike – Mr Rao has ruled out as premature the transfer of management of industries and banks. He wants to achieve a consensus with the unions.

It is difficult, however, to see how the fiscal deficit can be lastingly brought down without reform of the public sector: closures, reduction of work forces, management changes, cleaning up of finances and, where possible, privatisation. If companies are poorly run, selling off 20 per cent of them to Indian investors, as the government plans to do, will not make them any better managed.

The government hopes that private industry will develop to compete alongside the public sector, which will itself be forced to become more streamlined. But credit from banks is now almost totally taken up by finance for the public sector. Until its demand subsides, banks cannot finance the growth of private enterprise.

Mr Rao recently received an overwhelming vote of confidence in winning his own by-election seat. Since the other parties show no immediate inclination to topple his government, he faces no serious political challenge for the foreseeable future. He should capitalise on this by tackling the public sector's problems.

John Lloyd on the emergence of the new grouping of Slav republics

Commonwealth with little in common

The clarity of Sunday has been replaced by Monday's fudge. In place of the sharp, clear statement that the Union of Soviet Socialist Republics no longer existed, there was a further, last ditch effort to combine the wholly uncombineable. At a meeting in the Kremlin, the Russian president Mr Boris Yeltsin, speaking for the three members (Russia, Ukraine and Belorussia) of the new "Slav Commonwealth" created in Minsk on Sunday, was reported as saying that the Commonwealth was no more than a proposal which should be discussed by republican parliaments in parallel with the union treaty.

Yet a kilometre or two away from the Kremlin, Mr Yeltsin's first deputy prime minister, Mr Gennady Burbulis, was repeating at a press briefing that the USSR was at an end; at the same time Mr Andrei Khozyrev, the Russian foreign minister, said that Soviet officials could either co-operate with the new order in a civilised manner, or fight it at the barricades. "I hope they have the courage to recognise reality," he said.

The agreement to create the "Slav Commonwealth" came, for those excluded, like a thief in the night. Mr Gorbachev did not know of it until Sunday evening. Mr Nursultan Nazarbayev, president of Kazakhstan, was told of the agreement by Mr Yeltsin himself just moments after stepping off his plane in Moscow after a flight from Alma Ata.

The Russian president told his Kazakh counterpart that the agreement had been signed, and since all the details had already been settled between the three Slav representatives, he could join it.

Yet for Mr Nazarbayev, as for Mr Mikhail Gorbachev, it seems the options are still not closed. The Soviet president's press office made clear last night that Mr Gorbachev did not intend to resign. Mr Nazarbayev thought "he was still needed". Mr Khozyrev suggested that there may be a job going for Gorbachev as head of the commonwealth. This final humiliation would be a fulfilment of the long-standing aim of the nationalists and radicals to reduce Mr Gorbachev to the status of the British queen.

It thus seems that the union is pursuing a ghostly after-life, assisted – if Mr Nazarbayev is right – by the equivocations of Mr Yeltsin, who still seems unwilling to confront Mr Gorbachev with the inevitable. None of the leading foreign powers now believes that a union has any hope of survival. In a weekend interview with the French newspaper Le Monde, Mr Gianni de Michaelis, the Italian foreign minister, went so far as to suggest that the western states should take over control of significant aspects of Soviet life, in order to preserve the west's own security. It is no longer a ridiculous idea.

Source: Soviet Nuclear Fission: Control of the Nuclear Arsenal in a Disintegrating Soviet Union, Center for Science and International Affairs, Kennedy School of Government, Harvard University

The commonwealth is open to all – but, according to Mr Leonid Kravchuk, the Ukrainian president, essentially only as a nuclear club (hence the importance of Kazakhstan's membership; it is the union's fourth nuclear power).

What the Ukrainian president seemed to believe was possible was a triple – or, with Mr Nazarbayev, a quadruple – key system, in which the three/four presidents would jointly take decisions on the release of nuclear warheads. This would, of course, be uniquely complex.

If Mr Kravchuk is right, the part of the commonwealth agreement which pledges members to develop common foreign and economic policies is so much chaff. Indeed, it is hard to see how it could be otherwise, since the agreement is made between republics, at least two of which – Russia and Ukraine – propose to introduce separate currencies, and their own economic and foreign policies so distinct that they may find each other at diplomatic loggerheads. They will be lucky if it is not worse than that.

Mr Nazarbayev, his tight self-control governing his anger over an agreement which de facto excludes him, said that he was against any associations on the grounds of religion or ethnicity. Yet this has been sold precisely as an ethnic pact of Slavs. And Mr Nazarbayev must worry about the Russians in his country, who are at least as numerous as the Kazakhs and who are in a large majority in the northern industrialised part of the republic. What will they do when the Slavic world unites beyond the borders of their separate state?

For these three states, the agreement is one way of solving the problem – much advertised by both Mr Yeltsin and Mr Gorbachev – that "there can be no union without Ukraine". However, Ukraine would not have the union. Thus Russia and Belorussia, making concessions to the evident desire of the Ukrainian leadership for the most minimal form of association, have constructed a special "union" – losing not Ukraine, but the old Soviet centre and, presumably, Mr Gorbachev too.

This agreement is also a way of ridding the signatories of some other problems – especially of the Central Asian states, which were and would be drags on their economy; and the Caucasian states, which are notorious sources of instability. The commonwealth is a white man's club, with the door left open for the most Russified of the central Asian states, Kazakhstan.

Between them, these four republics have not only a monopoly of strategic nuclear arms, but also most of the resources, much of the best agriculture and the lion's share of advanced technology. Without an imperial ideology – latterly communism filled that role – the appendage states are not possessions, but burdens. The commonwealth is a way of ridding themselves of that burden, just as the British one was.

Most important for foreign countries is whether or not the commonwealth can defuse and contain the tensions which obviously exist between the three states, and between them and their neighbouring states. Mr Douglas Hurd, the British foreign secretary, yesterday said that "it should be possible to avoid (civil war)".

A minimalist hope, but probably the present limits of optimism. In fact, all of these states have so much of a cross-fertilisation of each others' peoples that wars ought to seem inconceivable – or would have done, had it not been for the presently available case of Yugoslavia, in which exactly the same phenomenon is apparent in Serbia and Croatia.

The commonwealth, in spite of the confusion, seems to be the only vehicle on offer for retaining some sort of association of dangerous states. But it looks desperately ill-prepared and unconvincing as anything more than a way out: it simply does not have, and probably never will have, the capacity to become what the former Soviet states, and the world, so urgently need: a centre of stability.

Stuff of western nightmares

Only now has it become apparent that the end of the "balance of terror" means only an end to balance, not to terror, writes John Lloyd. As the Soviet nuclear forces risk spinning out of effective control, it is clear that the transition period to a new system of security will be fraught with more dangers than the decades of nuclear balance.

The worst scenario is now perfectly possible. It is that the central control of the Soviet strategic nuclear forces breaks down, at either presidential, general staff or local operational levels – either because there is no united force at the top, or because the general staff (which has the nuclear codes, and can probably initiate firing on its own account) divides, or because lower levels of command do not respond to commands from above.

At the same time, the tactical weapons, less well guarded – and, in the case of the older ones, less well protected against unauthorised use by elaborate inbuilt safety mechanisms – could be captured by guerrillas or criminals, or sold through porous borders.

Imagine that the four strategic republics – Russia, Ukraine, Kazakhstan and Belorussia – are not able to agree a "superpower pact", but seek to replicate the union's complex centralised communications and information systems in order to possess an effective force. The tactical weapons, which have been withdrawn only from the Baltics, Azerbaijan and Armenia, are relatively easily controlled by new republican governments, none of them experienced and some extreme. The construction and transportation of the nuclear warheads – perhaps 1,000 may be on the move at any given time – become increasingly vulnerable to attack or infiltration.

It is precisely a situation of this sort which is now the stuff of western contingency planning and which lies behind the alarmed interview given by Mr James Baker, the US secretary of state, on Sunday night. It is not known how safe or unsafe the Soviet nuclear arsenal is, probably not even by the Soviets. But the vast substructure which fabricates elements such as plutonium, uranium, beryillium, tritium and lithium 6; the final assembly sites; the storage, transportation and maintenance facilities – all these delicate installations, requiring a workforce of hundreds of thousands, are now subjected to dangerous uncertainty.

The most recent US report on the Soviet nuclear weapons crisis puts it like this: "In the last analysis the custodial system for nuclear weapons is a social system. It will be strong when the society in which it is embedded is stable, and it will behave according to its intended design when organisational norms and routines are being followed by most of the people most of the time. But it is not possible to exhibit, or even to imagine, a set of safeguards on the Soviet arsenal that gives total reassurance against abuse in the midst of general social upheaval."

Soviet strategic nuclear weapons are largely under the control of Russians: they are wholly under the control of Slavs. The one non-Slav republic where they are based is Kazakhstan, and they are protected by Russian guards; the testing area at Semipalatinsk – which the Kazakh government has said it will close – is also Russian controlled. The dominant Russians' lack of trust in their imperial peoples has limited the spread of strategic forces, and also limited the dispersion of research, construction and storage facilities, most of which are based in Russia.

Contrary to widespread belief, the power of decision on whether to launch strategic missiles is probably less centralised than in the US. The authors of the US study believe (there is no final proof of this) that a presidential order, or an order from the political level, is not necessary for the launching of a nuclear strike. They conclude: "Gorbachev or other political authorities probably cannot prevent the senior military commanders from exercising effective control over nuclear weapons in a leadership crisis, or from launching them ....Gorbachev's (nuclear button) is probably neither necessary nor sufficient to initiate a Soviet nuclear attack." This means that the military can control a renegade president – but that when political power breaks down, there is nothing to stop a rogue military command using, or threatening to use, the ultimate weapons.

As if to highlight the present danger, a nuclear reactor turned up for sale yesterday at the Moscow International Commodity Exchange, one of the beargardens of free enterprise which now substitute for the old distribution system. The atomic energy and industry ministry immediately sought to assure everyone that this was the safest reactor of its type, and that it could only be used for peaceful purposes. But the mere fact of the sale underscored the huge fragility of the nuclear industries, domestic or military, and the terrible dangers exposed when the system of which they are a part changes and decays.

OBSERVER

Historic reform

■ Don't let the double-barrelled name confuse you. Those radicals over at The Reform Club have really set the cat among the pigeons with their choice of chairman. Not only is Beck-Coulter a woman, but she also happens to have been born in Germany. Whatever next, gentlemen without ties?

The 50-year-old Barbara Beck – she added the Coulter after marrying a public relations man – plays down the significance of her breakthrough as the first female chairman in the history of a West End club. Having started work as an au pair to learn English, she has been variously The Economist's European editor, secretary-general of the Anglo German Foundation, and is currently editor of International Management.

When The Reform opened its doors to women 10 years back, she was one of the first of same to join and owes her uncontested promotion to her active committee operations.

Nevertheless, she leaves no one in any doubt that letting women into The Reform is the best thing that ever happened to it. A decade ago the club was in dire financial straits and the influx of new members – a quarter are now female – has helped repair the balance sheet in time for the recession.

"It used to be like a morgue in here," she says, but promises that she has no dramatic plans to change the club. A crèche perhaps? "You must be joking," she says.

Woman emerges

■ Who is Hanna Gronkiewicz Waltz? The fact that few people even in Poland know of her was perhaps considered a virtue by President Lech Walesa when he proposed her as next chairman of the country's central bank.

After all, the public is uncomfortably well aware of the man she will follow if parliament approves her nomination. He is Grzegorz Wojtowicz who left the bank under a cloud and may still face charges of negligence leading to major losses.

Meanwhile Walesa and his staff are contemplating a thorough overhaul of the banking system. And it so happens that his 39-year-old nominee for the governor's job has been helping to prepare changes in banking law, her specialist subject as a don at Warsaw University.

Now, although she has no direct experience of banking, he evidently sees her as his reforming instrument. The reason for his choice may be that, while hitherto free of connections with any cliques or coteries, she has decided to stand in the October election as a candidate for the Victory party which supports Walesa albeit itself enjoying little support from voters.

Whatever the cause, her place in the president's favour seems assured. His closest associate, former Gdansk taxi-driver Mieczyslaw Wachowski, is said to have described her as "One of us."

Top boot

■ The chairmanship of Britain's new premier football league strikes Observer as a job tailor-made for some highly paid trouble-shooter such as Sir John Harvey-Jones or Sir Roland Smith. Will it suit a conservative banker like Barclays' Sir John Quinton?

The idea sounds as if it was hatched in a tremendous hurry. Quinton, a self-confessed soccer fan, heard about it only a fortnight ago. He was selected by a small cabal of three chairmen of first-division clubs. There was no formal press release. The terms of his job are unclear.

"I've just won the Mirror Group at Bingo"

Quinton is nevertheless looking forward to the challenge, which he does not expect to cost him more than a couple of hours desk-time a week. He tells me that Rick Parry, the young Ernst & Young accountant earmarked for the chief executive's job, is "very sound".

However, my man on the terrace says that, by comparison with the job of getting the bosses of Britain's top 22 football clubs to agree on serious money matters, managing ICI or Barclays Bank would seem a piece of cake.

Truffle trouble

■ Cap'n Bob's European is not the only newspaper in Europe wondering who's going to pay the bills. Another is La Truffe, the latest arrival in the cut-throat gossipy world of French journalism.

"Truffle", an irreverent daily meant to sniff out tasty morsels lying beneath life's surface, was yesterday given six months to turn up a saviour or go underground for ever.

The paper – creation of Jean Schalit, who incidentally prepared the design and launch of The European – surprised many people when it came out at the end of September, on the grounds that the satirical end of the French newspaper market is already well supplied by Le Canard Enchaîné.

Yet La Truffe, with its all-colour presentation and sharp prods at the French establishment, seemed initially to offer something different. Then after a spurt to 120,000 a day, sales dwindled to under 30,000, and the staff began to bicker as the losses piled up.

Seven weeks and FFr13m of losses later, La Truffe ceased publication, stopped paying journalists and has been notably absent from Paris news stands ever since.

Since its bankers have failed to come up with a rescuer, the Paris commercial court has now appointed a judicial administrator. "Sauve qui peut," as they say in France.

Knife edge

■ While Margaret Thatcher's handbag-swinging annoyed the French, another of her tactics looks to appeal to them – cutting off debates about Europe in their prime.

Like a British Robespierre, Maggie guillotined the debate in the Commons before the Single European Act was signed. This was the "1992" programme containing the first explicit statement of Europe's ambitions to create a single currency.

Maastricht yesterday produced a case of déjà vu when France injected a bit of blood into the debate by calling for "a guillotine".

The French want to cut off all obstructions – many expected to be British – which would prevent economic and monetary union by 1999 at the latest. Conceivably the word "touché" will be heard in later summit discussions.

Bleak news from the steel front line

The downturn is posing problems for producers and politicians, writes Charles Leadbeater

Fighting along the front line of the European steel industry's price war is becoming relentless and vicious. No prisoners are being taken as the industry endures a downturn which has cut a swathe through steel producers' profits.

Dispatches from the trenches are bleak. The commercial director of a small independent British steel producer says: "Prices have reached suicidal levels. Even the best companies are losing money. There is no sign of an upturn."

The conflict is not confined to the UK. Throughout Europe producers are striking at one another's home markets. An executive at Ilva, the Italian state owned steel producer said: "We want an orderly market – but if the French bid to supply Fiat with steel, we will undercut them to supply Peugeot." In Germany, despite bouyant demand fed by unification, prices have dropped to what some traders describe as "Third World levels".

The civil war is taking a heavy toll upon the industry's finances, after the brief bouyancy they enjoyed in the late 1980s. British Steel, widely regarded as Europe's financially strongest producer, last month reported its first half pre-tax profits had collapsed to just £19m from £307m last year. Analysts expect it could make a loss of up to £100m this year.

It is in good company. In Germany first half pre-tax profits at Krupp Stahl fell 69 per cent, while at Hoesch, which is in merger talks with Krupp, the fall was 65 per cent. France's Usinor Sacilor warned there were signs the second half of its financial year would be worse than the first when pre-tax profits fell 72 per cent.

Such a flood of bad news would alarm most industries. But by the standards of the steel industry this is not yet a crisis. To put it in perspective, in the US the top six integrated producers made a combined loss of about $1bn in the first six months of the year.

Nevertheless, the current downturn is posing troubling questions for producers and politicians alike; it raises strong doubts about the effectiveness of the industry's past restructuring.

Mr Jeremy Fletcher, a director of Beddows & Company, the specialist steel consultants, explained: "The industry has been through a lengthy and painful period of restructuring. Yet from the peak to the trough of the cycle production volumes may still fall by 30 per cent and in addition prices may fall by at least 20 per cent. It is this combination which still hits the industry almost as hard as it used to a decade ago."

EC governments have been struggling for years to sort out the industry. The European Commission's "manifest crisis" measures involving production quotas in the 10 years to 1988 were meant to manage an orderly reduction in capacity. But critics argue that the industry's current instability shows the crisis measures were little more than an officially approved cartel which has left Europe with too many high cost producers.

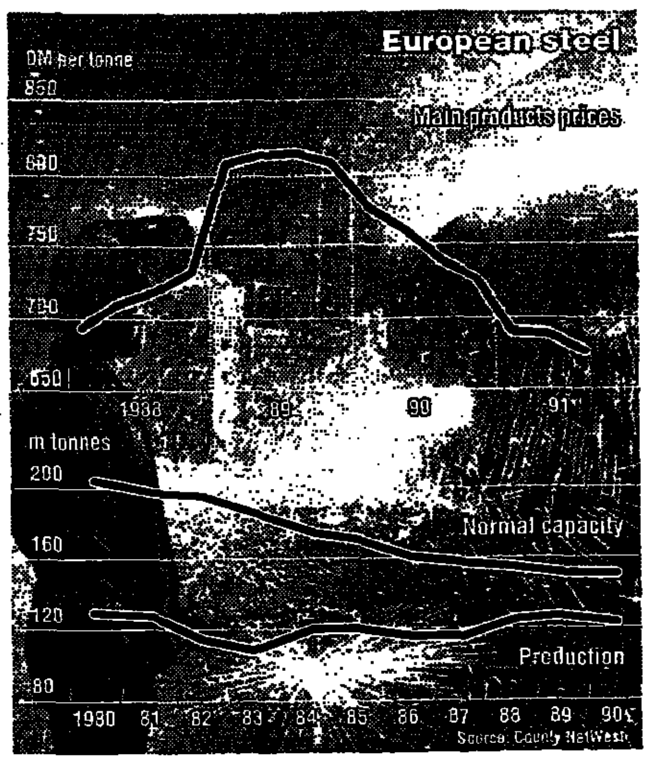
The downturn has brought to an end the uneasy truce that prevailed in the 1980s between the public and private sectors. Mr Alan Cox, chief executive of ASW, the British steel group, argues that public sector companies are running their plants at well below capacity and also cutting their prices, which they are able to do because of state subsidy.

Private sector producers in Germany and the UK are considering legal action over the EC's recent decision to approve the deal under which Crédit Lyonnais, the French state-owned bank, will pay FFr2.5bn for a 10 per cent stake in Usinor.

The private sector believes this downturn needs to be met with a resolute competition policy, although few believe this alone will be enough to sort out the industry. A senior official in the German steel industry says: "Competition was never enough alone to rationalise the industry; it will need a political push as well."

Companies must also take some of the blame, however, for not putting their houses in order. Surplus capacity was reduced substantially in the past decade from 80m tonnes to close to 20m tonnes last year.

Yet prices have remained highly volatile. This is because they are being set by the least efficient, mainly subsidised producers who need to keep their plants running at high capacity. They are trying to buy market share. More cuts in capacity led by the best managed companies such as British Steel will not make the industry as a whole more stable.



These doubts about the effectiveness of past restructuring are unlikely to disappear with stronger economic growth. In the medium term several pressures will continue to destabilise the industry.

West European producers are overshadowed by the threat of cheap imports from eastern Europe. With east European demand falling this year, about 40m tonnes of steel could be searching for a home at very low prices.

In September a tonne of sections for the construction industry could be bought in Romania for the equivalent of DM 180 – less than one third of the western price.

Dr Ruprecht Vondran, president of the German Steel Federation, said: "The eastern European market is out of joint. Prices and costs bear no relation to one another. Exchange rates distort the situation. Chaos reigns in the markets."

The east Europeans will put the west under pressure particularly in long products for the construction industry, the eastern Europeans' strongest area. The flat products sector – rolled products mainly made for motor cars, washing machines and fridges – faces a different challenge. The single European market is likely to promote concentration among the steel industry's customers, shifting the balance of power in their favour.

In the US the top three automotive groups account for 80 per cent of car industry steel demand, compared with 40 per cent in Europe. Such a consolidation in Europe, combined with the growth of Japanese plants, will make steel producers more vulnerable to prices being set by a monopsony of buyers.

The other threat in the medium term could come from innovative mini-mill producers, who operate with low labour costs and electric arc furnaces rather than the cumbersome technology of traditional steel production. In the US mini-mills are eating into the market share of traditional integrated producers. The European producers have yet to face a challenge of this magnitude from mini-mills at home.

This combination of short and medium term pressures will force the industry into further changes. If a tougher competition policy from Brussels rules out resort to subsidy or cartels to keep the industry's structure intact, then there are only two other options – consolidation and disintegration.

The merits of international consolidation are obvious for a relatively capital intensive industry. According to Beddows & Co, four producers in the bulk chemical industry account for 80 per cent of output, the same as the oil industry. In contrast it takes 10 producers to make up 80 per cent of western Europe's steel output.

There are already piecemeal signs of consolidation. In Germany, Krupp and Hoesch, the steel and engineering companies, have set a deadline of mid-February by which they intend to reach basic agreement on a possible merger to create a group with a combined turnover of about DM 30bn.

Cross border deals are also starting to come onto the agenda, partly because German producers who account for a third of European output, are becoming more willing to talk to foreign producers. But the political obstacles are immense.

Private sector companies such as British Steel are unwilling to do deals with public sector groups such as Usinor Sacilor. Governments still jealously protect their national producers, a factor which helped to scupper merger talks between Arbed and Cockerill Sambre of Belgium.

The other route would be towards a disaggregation of the industry. A few large producers such as Thyssen in Germany and Usinor might continue to produce a wide range of products. But around these large producers a variety of smaller producers might flourish in niche markets. This move towards specialisation has already taken place in the German industry where Mannesmann for instance has become a specialist tube producer rather than an all round steel maker.

Logic may argue for radical solutions. But one of the European industry's most deeply ingrained characteristics is that it is run by stubborn people intent on preserving their own fiefdoms.

Joe Rogaly

Chalk and talk

To appreciate what a good job Mr Kenneth Clarke is doing as secretary for education you need only picture Mr William Waldegrave in the same post. It was Mrs Margaret Thatcher who appointed Mr Clarke shortly before she was deposed. When he protested that he did not want to leave the department of health, then in his charge, she replied that she had decided to send Mr Waldegrave to health. "Why not send *him* to education?" asked Mr Clarke. "Because he is an Etonian," she replied.

The former prime minister made the right decision, albeit for the wrong reason. Mr Clarke, who attended Nottingham High School, knows what's what. He is a character, a bit of a lad. Mr Waldegrave is not. Saddled with the task of winning public support for the health service reforms, he tried the rumbustious approach. That was an obvious trap. He is now fated to be the instrument of an increase in the Labour lead every time the NHS hits the headlines.

Contrast this with Mr Clarke. Last week's frontal attack on progressive, or child-centred, methods of primary education should have a resonance beyond the small coterie of chalk-and-talk, learn-your-tables enthusiasts who have been expressing their doubts since the 1960s. As the most passionate of such enthusiasts, I can only applaud what is happening.

This is not to join the chorus of unqualified condemnation of Lady Plowden. Her celebrated report, which promoted learning by discovery, codified the consensus fashionable in the 1960s. It did not invent it. For that we have to look across the Atlantic as well as nearer home. The Americans, who perpetually debate the quality of their schools, must shoulder their share of the blame for failing to educate generations of Anglo-Saxon children.

It has taken a long time for the British government to get to the point where we can say that a difference will be made. Mr Kenneth Baker laid the foundation with his education reform act of 1988. That enabled the government to enter the classroom for the first time. The department of education, which had previously confined itself to concerns about building schools, was obliged to take notice of education. There was, however, a glitch. Mr Baker got most of the detail wrong. His successor, Mr John MacGregor, began to tidy up the unwieldy national curriculum and the impossibly cumbersome system of tests, but it is Mr Clarke who may be seen to make it all work.

One of his methods has been to put the right people in charge of the Schools Examinations and Assessment Council (SEAC) and the National Curriculum Council (NCC). Mr Baker had not pondered long enough on these key appointments to the quangos he had devised. Yet they were to be the principal arbiters of what happens inside the classroom. The consequence was that those who had long been brainwashed by the soft-centred approach were able to fight a rearguard action in committee.

Happily, the day of wanton ignorance is drawing to a close thanks to the 1988 education reforms

Happily, the day of wanton ignorance is drawing to a close. Since 1988 the government has introduced a national curriculum, national testing, the local management of schools, city technology colleges and some opting-out. It has emasculated the local education authorities, nationalised further education, and abolished the binary line dividing universities from polytechnics. Most of this has been the expression of years of pent-up frustration at the sight of state schools turning out under-educated teenagers, some of whose reading ability is so inadequate that whoever buys the Daily Mirror should ask themselves where its future readers are to come from.

Mr Clarke has added in the daft idea of privatising the inspection of schools, in effect allowing governing bodies to choose their own auditors, but the rest of his measures for implementing Baker have been sound. He is now focussing on the last bastion of the old system: teacher training. This is a huge fortress. It will not be overrun in a hurry.

The training of primary school teachers is to be the subject of a short inquiry by a triumvirate selected by Mr Clarke. He should get the result he wants. I suspect that its report will say that traditional methods of teaching must be used if the targets set in the national curriculum are to be reached. It may also argue for more time to be spent on mastery of more school subjects by non-graduates who take the four-year bachelor of education course. That means less time on wild and woolly theories about primary miseducation.

A statement on secondary education is being prepared. It is likely to argue for more on-the-job training in schools, tailored for graduates with good school-subject degrees. They would take days off their certificate of education courses. That means less time being blasted with politically-correct propaganda in dreary colleges. Perhaps there will also be more licensed teachers, who need never go near an institute of education.

There is more to do. Some doubt the soundness of the third controlling quango, the Committee for the Accreditation of Teacher Education. Since CATE determines which courses lead to qualified teacher status, its composition, which is in Mr Clarke's hands, may yet be changed.

All of the above could produce more practical teachers for the future. Changing the way teachers operate now is a far greater task. It will not be done without money. For example, primary school classrooms are not at present designed for forward-facing classes sitting in rows. Some rebuilding will be needed. Meanwhile the teachers, hit by wave upon wave of reform, are underpaid and demoralised. Only the sweet balm of cash will ease their pain. Even then the process will take time. We should see the first fruits at about the time Britain joins the European single currency.

LETTERS

The option of realigning the D-Mark

From Lord Cobbold.

Sir, The paper by Prof Charles Goodhart ("The economic consequences of John Major and Norman Lamont") referred to by John Plender ("The Louis XVI syndrome" December 2) is a most important and lucid analysis of the background to Maastricht and should be read by all involved in the negotiations and by all members of parliament.

With most ERM currencies overvalued against the D-Mark, Professor Goodhart says that "the present economic situation is reminiscent of the period in the 1920s at the time of the return to the Gold Standard".

His five possible policy options do not, however, include a revaluation of the D-Mark, which he considers politically unacceptable, particularly to the French.

But should such a revaluation be excluded as a policy option? Clearly it is one that the negotiators and the central banks cannot even hint at in public.

However, it is one to which the foreign exchange market already attaches a high probability and which commerce and industry would accept as common sense.

It need not undermine the credibility of the ERM if it is a general realignment of the D-Mark against all the weaker currencies and is presented as a one-off adjustment ahead of a final fixing of Ecu parities for the single currency.

Surely it is preferable to risking a repeat of the consequences of the return to the Gold Standard in the 1920s.

Lord Cobbold,
7 Adam Street,
London WC2

German waste recovery system no EC blueprint

From Mr Peter Scherer.

Sir, John Thornhill's article on legislation or legislative attempts by various EC member states and the European Commission concerning packaging waste ("Repackaged, recycled, restricted", December 6) was thoughtful and balanced.

However, when he finds that the new German system created by federal regulation aimed at the avoidance of packaging waste (*Verpackungsverordnung*) and the Duales System Deutschland (DSD) has been "received with surprising equanimity by German industry", this is only half the truth. Such equanimity is caused not so much by enthusiasm for the so-called "dual system" of packaging waste management in Germany. Rather it results from, on the one hand, the view that the *Verpackungsverordnung* is politically desirable, and on the other, that DSD's "dual system" is less evil than a generally applied "take back" obligation (as set out in the *Verpackungsverordnung*).

Although Germany's top entrepreneurs' federations did not appreciate the restrictive provisions of the *Verpackungsverordnung*, they did participate from the beginning in the creation of DSD as a result of their "lesser evil" approach.

The three main results from the introduction of the "dual system" will be:

- considerably higher prices of consumer products and, thus, a higher inflation rate;
- lots of collected waste material will be dumped "overboard", on other European countries' markets, thereby undermining the profitability of national recycling industries in these countries;
- since the recovery of packaging material becomes an increasingly important cost factor for enterprises, former national markets – not to mention Europe-wide markets – will tend to split up and become local markets. This will leave consumers with less choice. A considerable improvement of environmental conditions in Germany will not be among the ultimate results of the "dual system."

The new German legislation concerning packaging waste should not, therefore, became a "blueprint" for EC legislation. The Commission should instead sincerely check the German system as to its compatibility with the Treaty of Rome.

Peter Scherer,
Rue d'Arlon 92,
Brussels

Venture capital has its friends

From Mr Adrian Beecroft.

Sir, Charles Batchelor's article on venture capital ("In search of friends", December 3) failed to do justice to the results of the survey of entrepreneurs who have used venture capital that London Business School recently undertook on behalf of the British Venture Capital Association.

This group gives a highly positive view of venture capital. In particular, it viewed the contribution of venture capitalists on their boards as having been of great value to the development of the companies. Interestingly, entrepreneurs whose business had not gone according to plan were particularly appreciative of the help and assistance given to them by their venture capitalists in resolving their problems. The survey confirms that hands-on venture capitalists really are having a positive impact on the small business sector of the economy. Unlike entrepreneurs who had not used venture capital, this group placed venture capital first as a potential source of funding for growing businesses. Indeed, only 2 per cent said that they would not recommend venture capital.

Thus, while it is true that the venture capital industry needs to do more to promote its image to non-users, it is clear that we have made many friends among the people who know us best – our customers.

Adrian Beecroft,
chairman,
British Venture Capital Association,
3 Catherine Place,
London SW1E 6DX

Lloyd's: a self-evident fact

From W.A.P. Manser.

Sir, The present fever of alarm over Lloyd's of London is curiously blind to a self-evident fact. Current major losses are overwhelmingly due to the eccentric and costly liability awards of American courts; and an unparalleled sequence of unpredictable natural disasters. These factors have devastated the world insurance industry and caused losses at least as great as at Lloyd's. Lloyd's has many failings, but these cannot be blamed for the present scale of losses.

W.A.P. Manser,
46 Exeter House,
Putney Heath, London SW15

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

What is the point of defending the sterling 'Maginot line'?

From Mr Peter Frost.

Sir, Peter Marsh's article, "Cultured calm of the currency custodians" (November 30), about 25 officials at the Bank of England beavering away to defend a sterling "Maginot line" in today's currency markets was illuminating.

I was left asking 'why, and for what reason?'. On a global basis, who cares whether the Sterling/D-Mark rate is 3, 2.92, 2.85, or 2.5? Of the few British manufacturers still exporting to Germany most have already concluded a long-term rate at which they transact business. The same goes for importers of German goods and produce.

Mr Robin Leigh-Pemberton, governor of the Bank of England, is also an enigma. He has a habit of making big pronouncements about the economy and/or the financial system, long after the real event, that any 18-year-old with an "A"-level economics could deduce.

I have no doubt that they have a nice little business down there at the Bank, but it is the fundamental strength/weakness of the whole British economy that dictates the *real* level of sterling, not 25-30 people busying themselves around flickering TV screens trying to justify every little turn of events. In some parts of the US, and also other parts of the world, they haven't even heard of sterling. California alone, with some 23m people, has a GDP larger than that of the UK.

I'm staggered that imaginary sterling Maginot line levels are still defended. Whatever happened to capitalism and the market place?

Peter T Frost,
11 Mossfield Close,
Lexden, Colchester,
Essex CO3 3RG

FINANCIAL TIMES
Tuesday December 10 1991

A Yugoslav federal army soldier guards a rocket battery outside Mostar, south of the Bosnian capital, Sarajevo

Serbs block UN peace-keeping effort

By Judy Dempsey, Eastern Europe Correspondent, in London

ATTEMPTS by the United Nations to send international peace-keeping forces to the central Yugoslav republic of Bosnia-Hercegovina have been blocked by Mr Slobodan Milosevic, the Serbian president.

The move is a setback for UN attempts to contain the civil war in Croatia and preserve the peace in other parts of the country.

Mr Milosevic's decision emerged yesterday after the Serbian-dominated state presidency of Yugoslavia rejected findings by an arbitration committee set up by the European Community. The committee concluded that Yugoslavia was in a rapid state of disintegration.

The EC-sponsored peace conference, which reconvened yesterday in The Hague after a month-long break, held talks between Lord Carrington, its chairman, and the presidents of the six Yugoslav republics.

However, western diplomats said the EC's ability to impose any political solution aimed at ending the war between Serbs and Croats in Croatia, parallel with attempts by the UN to send peace-keeping troops to the republic, appeared increasingly remote.

Mr Cyrus Vance, the UN's special envoy to Yugoslavia, returned to New York after talks with President Franjo Tudjman of Croatia, Mr Milosevic, and General Veljko Kadijevic, the federal defence minister.

Although all three sides agree in principle that peace-keeping forces should be sent to Croatia, Mr Vance has repeatedly said no soldiers would be sent without a lasting ceasefire in place.

As a means of containing the war, implementing a ceasefire, and weakening the fire-power of the Serb-dominated federal army, Mr Vance had hoped to reach agreement on stationing peace-keeping troops in the ethnically-mixed republic of Bosnia-Hercegovina.

But western diplomats and Bosnian officials revealed that Mr Radovan Karadzic, head of Bosnia's Serbian Democratic Party (SDS), was instructed by Mr Milosevic to oppose the deployment of any UN troops.

Mr Rusmir Mahmutcehajic, the republic's deputy prime minister, said: "Serbia is using Bosnia, not only to carve a greater Serbia out of the republic, but also to launch attacks from within Bosnia on Croatia."

Other Bosnian officials said the federal army was continuing to launch attacks on Croatia from its garrisons in Banja Luka and Tuzla in northern Bosnia, and on the medieval city of Dubrovnik, from Mostar in southern Bosnia.

"A demilitarised zone should be created in Bosnia to contain the war and prevent politicians in Serbia and the army from using this republic for its military and political aims," Mr Mahmutcehajic said.

Maxwell's sons ordered to surrender passports

By Richard Gourlay and Raymond Hughes in London

MR KEVIN MAXWELL was last night fighting a court order to surrender his passport after the High Court in London froze up to £450m ($810m) of assets he owns and controls around the world.

The order followed the appointment of a provisional liquidator to Bishopsgate Investment Management, the pension fund management company from which £427m has disappeared.

Mr Neil Cooper of accountants Robson Rhodes argued that Mr Maxwell should not be allowed to leave on this morning's Concorde flight to New York because of the missing funds.

Mr Maxwell, who put his home in Chelsea up for sale yesterday, argued in court yesterday afternoon that his presence at the New York Daily News, of which he is chairman, was "absolutely critical".

The hearing was due to resume under Mr Justice Harman at 11pm last night, by which time he was to have given the provisional liquidators details of his personal assets.

The court left Mr Kevin Maxwell with £1,500 a week in living expenses. He must also provide a sworn statement about any BIM assets in his control. Failure to co-operate could result in criminal action.

It also emerged yesterday that the Lady Ghislaine, the luxury yacht from which Mr Robert Maxwell met his death a month ago, was up for sale for $24m.

Mr Maxwell's brother Ian, who was a director of BIM until last Thursday, was also ordered by the High Court to surrender his passport until Monday when the injunctions will be reviewed.

The provisional liquidators were appointed late on Sunday night after a four-hour meeting with Mr Justice Morritt. The appointment followed consultations with Imro, the investment industry watchdog, and trustees of the five pension funds BIM manages and was made on the request of the two BIM directors who did not resign last week.

Mr Justice Morritt's original order confines Mr Maxwell to the UK until seven days after he had provided sworn statements detailing his personal means and giving accounts of BIM's transactions since October 1989.

Imro is understood to have supported the appointment of receivers as the best way for pensioners and current employees paying into the pension funds to track down and recover assets held outside the UK. Provisional liquidation will also protect BIM against actions by third parties.

Imro is understood to have inspected BIM in November last year and found it complied with its rules. BIM managed over half of the Mirror Group's £520m pension fund, about £350m of which was initially missing.

Mr Ian Maxwell, the former chairman of MGN, resigned with all but two of the board of BIM last week after it emerged that millions of pounds had been transferred to companies controlled by Mr Robert Maxwell and his family.

The Association of Mirror Pensioners, which had been threatening to appoint a receiver at Mirror Group Pension Trust, yesterday welcomed the High Court actions.

Israel places curfew on Palestinians on eve of peace talks

By Hugh Carnegy in Jerusalem

ISRAELI security forces placed about 800,000 Palestinians under curfew yesterday, banned Arab residents of the West Bank from entering Jerusalem and stepped up police patrols in the Holy City to forestall violence on the fourth anniversary of the *intifada* – the Palestinian uprising against Israeli rule in the occupied territories.

In the West Bank town of Ramallah, a group of Jewish settlers took advantage of the curfew on the Arab population to demonstrate against the shooting dead of one of their number last week. Witnesses said some smashed car and house windows and posted leaflets in Arabic warning that attacks on Jews would not go unanswered.

These grimly familiar features of the conflict served as a reminder of the enormous task facing the Arab and Israeli peace negotiators as they prepare to resume talks in Washington today. The talks themselves have already been directly affected as the Arab side refused to negotiate yesterday because of the anniversary.

Israeli officials said that although they did not expect to be in Washington for an extended period, they had not set a date for their departure. They indicated that this would depend on whether the talks made progress. The whole process has become snared in procedural wrangles.

But the US, which has exerted strong pressure on both sides to get the process started is anxious to move on to substantive issues such as the negotiation of an autonomy agreement for the Palestinians in the West Bank and Gaza, a settlement of the dispute between Israel and Syria over the Golan Heights and an Israeli withdrawal from south Lebanon.

If the talks proceed to substantive discussions, the Israelis are expected to set out their proposals for the extent of Palestinian self government they are prepared to offer, based on limited autonomy proposals originally framed in the 1979 Camp David Accords with Egypt. These proposals do not satisfy Palestinian demands for control over land as well as governance over the inhabitants.

The Palestinians also insist on a halt to Israeli settlements in the occupied territories.

More than 850 Palestinians have been killed by the Israelis in the course of the *intifada*. A further 470 have died at the hands of fellow Arabs in often vicious internecine attacks. About 75 Israelis have been killed by Palestinians since the uprising erupted in Gaza on December 9, 1987.

Banks face £750m loss on MCC loans

Continued from Page 1

who replaced Mr Kevin Maxwell when he resigned a week ago.

Bankers said the collapse in MCC's value had four main causes:

- MCC may not be able to recover the £245m which Mr Robert Maxwell secretly extracted from the company for the use of his private companies.
- It is also unlikely to be able to recover its 56 per cent shareholding in Berlitz, the language instruction company, which has "vanished from the company", according to a banker with a close knowledge of MCC's problems. MCC had hoped to sell this stake for £146m to Fukutake, the Japanese publishing company.
- MCC will need to inject £50m into its pension fund to meet future liabilities to pensioners and it will probably also have to make a further series of annual contributions to the fund.
- It paid far too much ($2.5bn) to buy Macmillan in 1988.

MCC and its banks have appointed Price Waterhouse, the accountants, and Lazard Brothers, the merchant bank, to evaluate the company's assets and formulate a rescue plan. PW is understood to be concerned that Mr Maxwell removed assets and funds from MCC in addition to those identified so far.

More details emerged yesterday about the disappearance of the Berlitz shares. Coopers & Lybrand Deloitte, which had been investigating the private companies' finances for the banks, believe that about 23 per cent of the MCC holding in Berlitz was secretly transferred by Mr Robert Maxwell to a private company, Bishopsgate Investment Trust, in the spring. These shares were later pledged to Swiss Volksbank and Lehman Brothers, the US investment bank, as security against loans these banks made to the private companies.

SVB and Lehman are now claiming to own the Berlitz shares, because they say the Maxwell private companies defaulted on the loans. A banker said there was likely to be a legal wrangle over ownership of these shares.

In the short term, MCC would have to arrange its finances to cope with the possibility that it might not be able to retrieve any of the Berlitz stake, the banker added.

The banks have given an informal commitment not to call in their loans to MCC, pending the receipt of an interim report on the company from PW, which is due in just over a week.

Single currency by 1999

Continued from Page 1

the Dutch minister said. The defence issue will only be resolved today when foreign ministers submit to their leaders a declaration on the links which the Western European Union defence organisation will establish with both the EC and Nato.

Mr van den Broek indicated that strenuous attempts were being made to settle the dispute between the UK and its partners over social policy.

Crucial to setting a fixed timetable for introducing Emu will be Mr Kohl's support. A German spokesman said last night, with evident reluctance, that Bonn "could live with" the plan.

This would involve an EC summit deciding by end-1996 whether a majority of EC states met certain budget and inflation disciplines and were therefore fit to enter the currency union.

Even if that summit did not give the green light to the final stage of Emu, a currency union would start on January 1 1999 with those countries which "fulfill the necessary (economic) conditions for the adoption of a single currency".

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Berlin	S	-5	23	Caracas	C	27	81	Faro	S	15	59	Islamabad	F	21	70
Algiers	C	13	55	Biarritz	S	10	50	Casablanca	F	19	66	Florence	S	3	37	Istanbul	Sn	-2	28
Amsterdam	S	5	41	Bombay	S	31	88	Chicago		-	-	Frankfurt	S	3	37	Jakarta	R	32	90
Athens	F	5	41	Bordeaux	S	4	39	Cologne	S	4	39	Geneva	C	2	36	Jersey	S	5	41
Bahrain	S	29	79	Boulogne	S	4	39	Copenhagen	F	4	39	Gibraltar	R	14	57	Johannesburg	F	22	72
Bangkok	F	31	88	Brussels	S	4	39	Corfu	F	4	39	Glasgow	F	0	32	Lima	C	22	72
Barcelona	F	11	52	Budapest	S	-4	25	Dallas	C	14	57	Helsinki	C	2	36	Lisbon	F	12	54
Beirut		-	-	Buenos Aires	R	25	77	Dublin	S	7	45	Hong Kong	F	19	66	London	C	4	39
Belfast	C	5	41	Cairo	S	16	61	Dubrovnik		-	-	Innsbruck	F	0	32	Los Angeles	C	13	55
Belgrade	S	-6	21	Cape Town	S	21	70	Edinburgh	F	0	32	Inverness	S	7	45	Luxembourg	C	2	36

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	20	68	Milan	Sn	1	34	Nicosia	C	14	57	Salzburg	S	-5	23	Tenerife	S	22	72
Madrid	F	8	46	Montreal	C	5	41	Oporto	F	16	61	San Francisco	S	8	46	Tokyo	C	11	52
Majorca	F	13	55	Moscow	Sn	-13	9	Oslo	F	-2	28	Seoul	S	4	39	Toronto	C	4	39
Malaga	R	12	54	Munich	S	-4	25	Paris	S	4	39	Singapore		-	-	Tunis	F	15	59
Malta	S	11	52	Nairobi		-	-	Peking	Sn	-2	28	Stockholm	S	-1	30	Valencia	F	13	55
Manchester	S	3	37	Naples	S	4	39	Prague	S	-8	18	Strasbourg	S	3	37	Venice	F	1	34
Manila	F	30	86	Nassau	C	27	81	Reykjavik	R	7	45	Sydney	S	27	81	Vienna	S	-8	18
Melbourne	S	25	77	New Delhi	S	22	72	Rhodes	F	9	48	Taipei	F	22	72	Warsaw	S	-9	16
Mexico City	C	21	70	New York	S	12	54	Rio de Janeiro	C	35	95	Tangier	C	17	63	Washington	F	11	52
Miami	S	19	66	Nice	F	11	52	Rome	S	7	45	Tel Aviv	C	13	55	Zurich	C	1	34

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

Home truths for the insurers

Politics has been a growing influence on overall stock market sentiment since midsummer. But the jump yesterday in insurance composite shares suggests that individual sectors, too, are sensitive to the election cycle. Though the prize is not yet in the bag, it looks as though building societies and the insurers have convinced the government that the mortgage element of unemployment pay should go direct to lenders, rather than to the unemployed themselves.

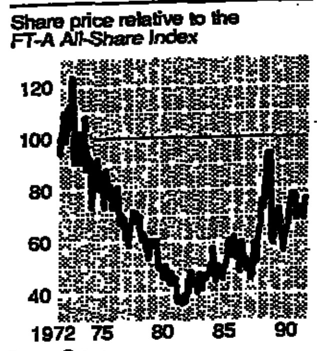
It seems reasonable to assume that in this case, mortgage repossessions would fall and the Tories would profit at the polls. Anything that breathed life into the property market would be good news for a party whose traditional supporters are obsessed by the value of their homes. For composite insurers such as Royal and Sun Alliance – the share prices of which yesterday rose 8 per cent and 3 per cent respectively – a move to direct social security payments could substantially reduce the losses they are set to suffer on mortgage guarantee contracts in the next couple of years. Paribas, for example, puts Sun's liability for 1992 and 1993 at £250m-£300m and believes the bulk of repossessions will be related to unemployment.

But despite the short-term advantages, this year's 30 per cent underperformance by the sector will not be easily reversed. The market has rightly concentrated on the disaster of mortgage guarantees, but seems to have overlooked the fact that even companies without any exposure to housing are still making hefty losses. In many cases, those much-trumpeted premium increases have been scarcely higher than claims inflation.

FT-SE Index: 2,409.6 (+20.9)

Scottish & Newcastle

Share price relative to the FT-A All-Share Index



Source: Datastream

UK economy

Yesterday's slight downward revision of October's retail sales figures to a fall of 0.6 per cent is at odds with anecdotal evidence suggesting a move in the other direction. But retailers know how to talk their own book; and retail recovery has proved a mirage once this year already.

Pessimists will doubtless conclude that consumer spending is less likely than ever to lead the economy out of recession next year. Yesterday's credit figures for October appeared to confirm that consumers were continuing to use any spare cash to pay off debt rather than rushing to spend borrowed money in the high street. The savings ratio will stay high for a while yet. It is cold comfort that consumer confidence in the UK is not undergoing the sort of collapse reportedly going on in the US.

The rosier view is that since the fourth quarter is always dominated by the weeks before Christmas, it is difficult to draw any sensible conclusions from October. The summer discounting which briefly revived spending is being repeated with a vengeance in a last-ditch effort by the retailers, so it is not inconceivable that sales over the fourth quarter as a whole will show a small increase. But with the FT-SE still hovering around 2,400, the equity market has other things on its mind: Maastricht, sterling and Friday's inflation figures.

Commerzbank

With the disintegration of the Soviet Union now virtually complete, it would have been astonishing if Commerzbank had held out any longer against making provisions on its DM900m exposure. The fact that it is now to provide at least half the amount while keeping its dividend steady ought, in theory, to lift a weight off the share price: all the more so since its 32 per cent rise in 10-month operating profit outstrips other big German banks.

The problem is that Commerzbank is still catching up its competition in terms of profitability. The 24 per cent increase in group net interest income may be eye-catching, but basically reflects a correction of margins that were low before. Despite last year's DM1bn provision on developing country debt, Commerzbank still lags both Deutsche and Dresdner in proportion of exposure covered. The decision not to buy existing branches of the former east German state bank may have reduced its start-up costs there; but there will be an eventual price to pay in terms of market share.

Commerzbank has also just about exhausted the scope for raising capital through the issue of profit-sharing certificates or Genussscheine. A sizeable rights issue, its first for over five years, looks inevitable next year if it is to meet the German requirement for a 5 per cent tier one capital ratio. With that overhanging the market, it is not surprising that the shares managed a gain of less than 1 per cent, despite yesterday's evidence of rapidly recovering profitability.

Scot & Newcastle

Scottish & Newcastle's interim figures are a reminder of what the market used to expect from brewers in a recession: earnings up 10 per cent, beer volume down just 1 per cent and brewing profits 7 per cent ahead. In reality, the fastest growth in the figures comes from the group's recent move into holiday parks. But S&N would argue that, as the beer market polarises between low-priced and high-strength brands, it stands to benefit on the one hand from the take-home trade and on the other from premium lagers such as the Coors brand signed up yesterday.

The group's longer-term growth characteristics are harder to pin down. Within a declining beer market, it might hope to benefit further from the move to free trade and off-licence sales. But in that case, so much the worse for its pubs, which still bring in a quarter of group profit. As for the holiday parks, it is too early to be sure how far their success is due to an underlying shift to short domestic holidays and how much a function of recession. And above all, the group itself is quite clear both that the upheaval in UK brewing has only just started and that it has a further unspecified part to play in it. S&N is building up a reputation for strategic thinking. But by comparison with a monolith like Bass, for example, it has less room for strategic error.

At yesterday's 406p, the shares are on a running p/e of 11.3, compared with 10.3 for Bass and 9.3 for Whitbread. As a tribute to S&N's nimbleness, this is defensible. But it also represents a discount to the market as a whole. Considering what a risky business UK brewing has turned out to be, that may be just as well.

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COMPANIES & MARKETS
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INSIDE

Williams bid for Racal worth £40m more

The hostile bid by Williams Holdings, the industrial conglomerate, for Racal Electronics was worth an extra £40m ($70.80m) yesterday as Williams shares rose 19p to close at 306p in London. Racal's shares yesterday fell 2½p to close at 48½p. Both sides claimed comfort from the share movements. Page 28

TNT to raise $212m

TNT, the Australian transport group, plans to float 75 per cent of TNT Freightways Corporation, its wholly-owned US transport operation, to raise between US$212m and US$250m. Page 25

Building conglomerate falls

Whitecroft, the UK mini-conglomerate involved in building products, lighting and textiles, saw interim pre-tax profits drop by 38 per cent to £2.23m ($3.94m). This decline, in the six months to September 30, followed an earlier sharp fall in profitability last year. "The important point to stress is that there have been a lot of changes at Whitecroft," said Mr Peter Goold (above), chairman and chief executive. Page 29

Japanese companies hit

Non-operating profits at Japanese companies fell sharply in the six months to September due to increases in interest payments, losses on stock investments and cash flow declines. Page 23

A pig's ear . . .

When things go wrong in the pig pens, sirens which seem likely to wake the dead are set off. The noise alerts the whole district that one or more of the ventilating fans is faulty. The rules say pig personnel have to be specially trained to recognise the siren. **David Richardson** writes about the effects of this, and other legislation, on his own farm in Farmer's Viewpoint. Page 30

Michelin rewards investors

Michelin, the world's largest tyre maker, yesterday announced that it will issue free warrants to shareholders, in a gesture designed to reward investors' loyalty for remaining with the company through heavy losses. Page 22

Europe and the Pacific lag

Europe and the Pacific were the weak performers in global equity markets last week, the first dragged down by Italy, France and Finland and the second weighed down by the renewed slide in Japan. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Asko	605	−	74
Deckel (Fr)	103	−	10
Heidelb Zem	830	−	30
Lahmeyer	671	−	11
Porsche	562	−	13
Schmalback Lub	515	−	9.5
NEW YORK ($)			
Rises			
AH Belo	29¼	+	4⅝
Browning-Ferris	18	+	⅞
Digital Equip	57¾	+	¼
RJR Nabisco	10⅝	+	¼
Falls			
Hewlett-Packard	49⅛	−	⅛
IBM	88¾	−	¼
PARIS (FFr)			
Rises			
Exor	1340	+	270
Falls			
Navigation Mixt	1102	−	83
Schneider	547	−	28
Spie Batignolle	310	−	19
UFB Locabail	251	−	15
Vallourec	234	−	25
TOKYO (Yen)			
Rises			
Furukawa Bat	805	+	85
Ishihara Constr	606	+	46
Japan Casting	475	+	32
Kanto Special	614	+	44
Pacific Ind	629	+	73
Falls			
Toyo Sanso	1490	−	120

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Artours	893	+	39
GEC	185	+	7
Higgs & Hill	102	+	15
Lec Refrig	300	+	42
Nat & Scot Res	41	+	10
Midland Bank	204	+	9
Multitone Elct	88	+	17
Owners Abroad	113½	+	5
Psion	138	+	14
Royal Insce	266	+	20
Steetley	274	+	19
Tarmac	128	+	11
United Energy	47	+	7
VTR	58	+	4
Williams Hldg	306	+	19
Falls			
Albert Fisher	74	−	6
Brit Telecom	330	−	12
CannonSt Invs	18	−	3
Invicta	55	−	34
Racal Elects	48½	−	2½
Reliance Sec	254	−	10

Karen Zagor reports on the effects of recession on US advertising

Drawing a blank on the billboards

The US recession has become the favourite target of industries looking for something to blame for their deteriorating fortunes. But for the advertising industry, suffering its worst years in memory, recession is just one of many ills.

Total advertising spending, which outpaced US economic growth through the recession of the early 1980s, rose only 3.8 per cent last year and some analysts believe it could be 1.7 per cent or lower for 1991.

The picture is more bleak when broken down. Television network spending on advertising fell about 7.1 per cent in the first six months of this year, and a similar decline was posted by US newspapers.

Mr James Dougherty, analyst at County NatWest Wood Mackenzie, in New York, said: "The damage has been pretty uniform. The only area showing strength is radio, and it's a tiny segment."

Employment at the main US advertising agencies has fallen 0.6 per cent this year, according to Advertising Age's annual survey of the top 10 agencies. Leo Burnett was the only big US agency to increase employment, by 9.8 per cent in the year to October thanks to new accounts worth a potential $800m in billings in 1991.

The effect on media companies, which depend on advertising sales for revenue growth, has been devastating. Underlying earnings at the main US television networks have fallen sharply on the back of the erosion in advertising. In the newspaper industry, the New York Times this year suffered an 18.5 per cent drop in lineage in the first half of the year, while the Los Angeles Times suffered a 30 per cent decline in classified volume in the same period.

Advertising spending is easy to trim in difficult times – such spending is regarded as discretionary and the results are rarely tangible. But most analysts agree that the industry's problems run deeper.

Mr Alan Gottesman, an analyst at Paine-Webber, the broking house, said: "I don't know that it's a product of the recession because the advertising business started to slow down in early 1985."

He partly blames the LBO fever of the 1980s. "I think client companies had their priorities somewhat re-oriented when they became fearful that they could be taken over by junk-bond buyers." As a result, many US companies moved to improve their balance sheets and slashed advertising spending.

Advertising is no longer regarded as a panacea for deteriorating market share or poor product performance. Mr Dougherty said: "Companies are starting to look at advertising as part of the problem now, not the solution. With deflationary pricing and intense pressure on margins, it's a lot harder to justify spending on advertising."

Sales pitch: New York's Times Square

Factors which at first seem unrelated to advertising are also contributing to the industry's slump. The advent of computers, for example, has helped retailers keep a tighter rein on inventories, leaving fewer unsold goods on the shelves. Leaner inventories mean fewer promotional sales which, in turn, mean less advertising.

The weak economy has directly affected local advertising. In New York, for example, a weak property market and declining employment have led to sharply lower classified advertising in local newspapers: property advertising in the New York Times in the third quarter fell 24 per cent while total advertising lineage fell 16.4 per cent.

In spite of the gloomy environment, stringent cost control has helped some publicly-held US advertising agencies improve profits this year. Interpublic and Omnicom, respectively the third and fourth biggest advertising companies, made higher earnings for the first nine months.

But there is concern that advertising agencies are already stretched, leaving little room for further efficiencies. Employment levels have been cut at most agencies and occupancy costs have stabilised or declined. But advertising agencies cannot conjure up new clients, nor can they become low-cost producers.

The uncertain economic outlook for next year has left US companies cautious when planning advertising spending for 1992. R.J. Reynolds Tobacco, for example, expects to cut its traditional advertising budget for the year although overall marketing spending will be higher.

A number of brands have shelved year-long magazine advertising schedules and moved towards buying magazine ads on a quarter-by-quarter or issue-by-issue basis. Part of the money traditionally spent on advertising is being reserved for promotions which have a more immediate effect on sales.

Optimists believe that, as the economy recovers, US companies will turn again to advertising to try to regain or increase market share. Mr Gottesman said: "I don't think the ad industry is on a death spiral. I think it will be healthy and mature in the future."

But some believe advertising will never regain its earlier levels. The chief culprit, says Mr Dougherty, is the packaged goods industry which shows no sign of resuming advertising at a rate relative to its sales. The contribution of packaged goods producers to national advertising fell from almost 44 per cent a decade ago to 27 per cent in 1990.

"I can't say what's going to happen in 10 years, but in the next two to three years total advertising will grow less than nominal GNP," said Mr Dougherty.

The opportunities in advertising today are not as great as during the 1940s to mid-1970s, when agencies could rely on double-digit growth in ad spending each year and when big names in the business, such as David Ogilvy, made their fortunes.

Third big German bank rises strongly

By David Waller
in Frankfurt

COMMERZBANK yesterday became the third of the big three German banks to announce buoyant results for the 10 months to the end of November.

At the same time, the bank, Germany's third biggest, said it would provide for more than half of its uninsured exposure to the Soviet Union.

Mr Martin Kohlhaussen, Commerzbank's chief executive, said at the operating level 1991 looked like being the best year he could remember. He announced group partial operating profits – which do not include a contribution from the bank's trading activities – increased by 28.8 per cent to DM1.412bn ($870m) in the first 10 months of the year – more than the total for the group for all of last year.

The strong performance at the partial operating level was due to buoyant demand for credit, which helped net interest income earned by the parent bank to rise by 21.6 per cent to DM2.75bn for the 10 months; good trading results boosted the total operating figure.

Commerzbank's growth in partial operating profits was higher than the 9.1 per cent increase at Deutsche Bank and the 12.6 rise at Dresdner.

Mr Kohlhaussen, who took over as chief executive earlier this year, broke with the bank's traditional reluctance to disclose total operating profits, saying these were DM1.6bn for the first 10 months – an increase of 31.6 per cent. This is the first time Commerzbank has released this figure. It suggests the bank will make more than DM2bn for the full year.

For all his optimism about the group's operating result, Mr Kohlhaussen warned it would be necessary for the bank to make sizeable provisions for extraordinary items, chief among them country risks – especially in respect of the Soviet Union.

Alone of Germany's big three banks, Commerzbank has not so far made any provisions against its uninsured exposure to Soviet debt. Mr Kohlhaussen said the bank's uninsured exposure to Soviet debt – which last week declared a standstill on repayments of capital to western creditors – stood at DM900m.

While the bank had not experienced any problems with the Soviets in respect of either interest or payments of principle, Mr Kohlhaussen said the bank now planned to provide for more than 50 per cent of the total sum.

Lex, Page 20
Spanish share swap, Page 22

Small investors set to make 15½p profit as 125m shares change hands in hectic trading

New BT shares sold at low premium

By Hugo Dixon in London

THE NEWLY-privatised BT shares closed at 125½p on their first day of trading yesterday – only ½p above the 125p paid as a first instalment by institutional investors and 15½p above the 110p paid by small shareholders.

The size of the premium, which was unusually low by the standard of government share sales, was hailed as a success by Mr Francis Maude, the Treasury's financial secretary.

It has allowed ministers to argue that they have not sold public assets on the cheap, yet ensured that small investors made some profit.

For example, an investor who applied for 500 shares and was allocated 340 made a notional profit of about £40 ($70.80) after dealing costs at yesterday's closing price. Somebody who applied for 1,000 shares, and was allocated 500, received a notional profit of £65.

Even so, the premium was lower than the 5p-10p above the partly-paid 125p price that the government had been aiming for. Although the price rose to 128p in the morning, it fell back in hectic trading as more than 125m shares changed hands.

The main reason a higher premium did not materialise was that the existing fully-paid BT share price fell 12p to 330p, even though the FT-SE 100 index rose 21 points.

Observers pointed to the sharp fall in the fully-paid shares as evidence that the government had distorted the market in BT shares in the run-up to its sale by threatening to penalise institutions which sold existing shares aggressively on the market. Government advisers, though, argued that some fall was inevitable for "technical" reasons.

Communication centre: a share trader at S.G. Warburg at the start of dealings in the partly paid BT shares

The small premium led some analysts to question whether the shares had been priced so tightly that it would be difficult for the government to sell shares in future privatisations.

This may not concern ministers too much as the £5.35bn sale is the last large government privatisation for some time. The privatisation proceeds that have been pencilled into the government's 1992/93 budget have already been accounted for by further instalments in shares already sold.

Of the 1.575bn BT shares sold, a third went to institutions and two-thirds to retail investors. Institutions deemed by S. G. Warburg, the government's lead adviser, to be quality bidders received up to two times as many shares as otherwise similar institutions who were deemed to be poor quality bidders.

The full price being paid by institutions for new shares is 350p, with small investors paying only 305p if they hold on to the shares until the final instalment is due in March 1993. The explanation for the 20p difference between the full price of the new and the old shares is that the new ones are being paid for in instalments.

About 60 per cent of the institutional offer went to UK institutions. But with UK investors selling today, Goldman Sachs, the government's lead manager for the US market, bought about 50m shares to sell to US investors and for its own portfolio.

Retail investors were not prominent in the market yesterday as they will not receive their share certificates until December 18. Until January 7, Warburg is allowed to buy back on the government's behalf up to 120m shares to "stabilise" their price on the market.

Bid by Tourang consortium for Fairfax group hits snag

By Kevin Brown in Sydney

TOURANG, the consortium set up by Mr Conrad Black to bid for Australia's Fairfax newspaper group, received a significant setback yesterday when the government ruled that its offer was "against the national interest".

The ruling was one of the last official acts of Mr John Kerin, who was sacked as treasurer on Friday by Mr Bob Hawke, the Labor Prime Minister.

It was made on advice from the Foreign Investment Review Board (FIRB), which investigates overseas investment proposals, and is unlikely to be reversed by Mr Ralph Willis, the new treasurer. His office said no details of the reasoning would be released, but the FIRB is understood to have objected to the level of foreign equity in Tourang's shareholding.

The bid would give Mr Black's UK Daily Telegraph group 15 per cent of the voting shares in Fairfax, rising later to 20 per cent. The balance of the voting shares would be sold to Australian investors. Hellman & Friedman, the US merchant bank, would acquire a 15 per cent non-voting stake, taking the overseas equity in the group's expanded capital to just over 40 per cent.

Mr Kerin said he had no objection to a rival bid from the Australian Provincial Newspapers (APN) consortium, which would give a 20 per cent stake to Mr Tony O'Reilly, the Irish newspaper proprietor who is also chief executive of Heinz, the US foods group.

APN has undertaken to float 80 per cent of Fairfax if its bid is successful, and to appoint a board with a majority of independent Australian directors. The third bidder, Australian Independent Newspapers, has no overseas investors.

Mr Kerin's ruling is a serious blow for Tourang, which has already suffered the resignation of Mr Trevor Kennedy, its managing director; the withdrawal of Mr Kerry Packer, its main Australian investor; and the departure after a public row of Mr Malcolm Turnbull, the prominent Sydney lawyer and merchant banker.

However, Tourang said it had no intention of withdrawing from the bidding for Fairfax, indicating it may be considering restructuring its bid to reduce the foreign equity.

Fairfax, which publishes the Sydney Morning Herald, the Australian Financial Review and The Age in Melbourne, was put into receivership by its banks last December with debts of A$1.3bn (US$1.02bn).

Mr Kerin's decision to block the existing structure of the Tourang bid was welcomed by Fairfax journalists, who have campaigned strongly against the group since the bidding process began.

INTERNATIONAL COMPANIES AND FINANCE

Commerzbank in Spanish bank deal

By **David Waller** in Frankfurt and **Tom Burns** in Madrid

COMMERZBANK, Germany's third largest bank, and Banco Central Hispanoamericano, soon to be Spain's biggest bank after the merger of two smaller banks, are planning a share swap which will leave Commerzbank and Banco Central Hispanoamericano with 10 per cent of each other.

The move, which follows the collapse in September of negotiations between Commerzbank and Crédit Lyonnais over a planned share exchange, was disclosed by Mr Martin Kohlhaussen, Commerzbank chief executive.

Mr Kohlhaussen said talks were at an advanced stage. "We already have a good relationship and we both believe that we should strengthen our ties," he said. The merger of Banco Hispano with Banco Central to create Banco Hispanoamericano was announced in May and is on the verge of completion.

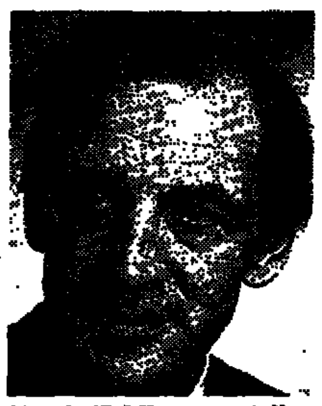
Referring to the abortive talks with Crédit Lyonnais, he argued the result of a share swap should be "useful for both sides". This had not been the case with the French bank, Mr Kohlhaussen said.

Commerzbank's relationship with the Spanish bank dates back to 1983 when it acquired 10 per cent of Hispano Americano and Hispano took a 5 per cent stake in Commerzbank.

The Commerzbank holding is to be diluted to 4.5 per cent because of the merger between the two Spanish banks.

According to Mr Kohlhaussen, the rationale for the latest deal is for Commerzbank to maintain its proportionate 10 per cent stake in the merged bank. The enlarged Spanish bank will increase its holding in Commerzbank from 5 to 10 per cent.

The transaction will be achieved through a share swap



Martin Kohlhaussen: talks reached advanced stage

which is expected to mirror the 1983 agreement that gave Hispano Americano a 5 per cent stake in Commerzbank. It will increase the German bank's lead at the new merged bank over a group of French companies – the insurer UAP, Bouygues, the construction group, and the energy conglomerate Elf Aquitaine – which together control around 12 per cent of Banco Central.

Central Hispanoamericano, which will have assets in excess of Pta8,800bn ($86.48bn), will be the biggest financial institution in Spain in terms of deposits, larger than the Corporacion Bancaria de Espana (CBE), a group of state-controlled banks that was brought together earlier this year and then the Banco Bilbao Vizcaya, the result of a 1988 private bank merger.

Mr Kohlhaussen said Commerzbank was seeking to gain from the growth of the Spanish economy in Europe's single market.

The combined industrial affiliates of Central and Hispanoamericano account for 5 per cent of Spain's GDP.

Lex, Page 20

United Distillers loses contest to take over Buliv

By **Nicholas Denton** in Budapest

UNITED Distillers, the UK drinks company, has lost its battle to take over Budapest Liquor Industry Company, Hungary's largest spirits producer.

The State Property Agency (SPA), Hungary's privatisation authority, announced yesterday it would sell state-owned Buliv outright to a consortium led by Mr Peter Zwack, a returned emigré.

The decision marks a setback for United Distillers's efforts to gain market share in eastern Europe. "We have to have a rethink on our strategy," said Ms Michelle Field, United Distillers's business development manager. "It's back to the drawing board."

The announcement came after an unusual delay which led to speculation that the SPA board sought a political decision for the controversial Buliv sale. The authorities were under pressure to prefer the offer fronted by Mr Zwack, a wellknown businessman.

Mr Lajos Csepi, the SPA's managing director yesterday denied accusations of discrimination against foreign bids. "I do hope Western investors will not be put off," he said.

Buliv made 1990 pre-tax profits of Ft157m ($2m) on turnover of Ft3.97bn. The company produces 45m litres of spirits annually. Market conditions worsened this year as economic recession depressed consumption.

A decision on British American Tobacco's bid for Pecsi Tobacco Factory, one of Hungary's four cigarette manufacturers, is expected this week. An SPA official said yesterday that BAT's was the only offer.

Scottish & Newcastle reaches agreement with Coors

By **Philip Rawstorne** in London

SCOTTISH & NEWCASTLE, the UK brewer, has reached agreement with Coors, the third largest brewer in the US, to launch and brew its Extra Gold premium lager in the UK next year.

The deal was announced yesterday as Scottish & Newcastle reported "outstanding growth" from its premium beers had contributed to a 1 per cent rise in first-half pre-tax profits.

Mr Alick Rankin, chairman, said: "It has never been more evident that the key to future trading success lies in premium brand penetration of the free market sector."

Coors Extra Gold will extend the range of Scottish & Newcastle's portfolio which includes Beck's, the German import, sales of which are increasing 30 per cent a year, as well as its own brands, McEwans and Kestrel.

A joint venture company, Coors UK, will be established in Edinburgh to market the beer which will be distributed throughout the UK.

Although the group's taxable profits rose from £114.5m ($194.6m) last time to £115.7m, they were held down by a £7m increase in interest charges following the acquisition of minority interests in the Center Parcs holiday operations. The strong brewing performance helped lift trading profits during the six months ended October 27 by 7 per cent to £123.2m, from £115.1m.

Scottish & Newcastle's competitive position in the free and take-home beer trade, the more buoyant sectors of the market, meant group beer profits rose 7.3 per cent to £54.2m on turnover up 10 per cent at £430.7m. National market share increased, with overall beer volumes down 1 per cent against an estimated market fall of 6.4 per cent.

Mr Rankin said consumer spending in the UK had sunk to a low level and higher beer prices, resulting from a combination of tax changes and industry increases, had contributed to reduced demand.

However, the continuing strength of demand for short-break holidays boosted trading profits from the Center Parcs and Pontin's operations 14.5 per cent to £37.1m on turnover 9.2 per cent higher at £158.7m.

Earnings per share grew 10 per cent to 19.7p from 17.9p and the interim dividend climbs 8 per cent to 5.51p from 5.1p.

Lex, Page 20

AEG to close office equipment unit

AEG, the German electronics group, last night announced the closure of AEG Olympia Office, its loss-making office equipment unit, by the end of next year, Reuter reports from Frankfurt.

Following a supervisory board meeting, AEG said the decision would affect 1,600 jobs at the plant in Wilhelmshaven. AEG is a subsidiary of Daimler-Benz, Germany's largest industrial group.

The decision confirms a plan by AEG in October. The office furniture group has been making heavy losses for some time. Since Daimler bought AEG in 1985, the Olympia unit has lost about DM1bn ($600m) and it expects to lose another DM150m this year.

Last October the company announced a plan to split Olympia into three units as a prelude to winding down production by the end of 1992. The company at that time said the transition was aimed at preparing Olympia for a possible sell-off.

AEG did not name possible buyers, but media speculation had centred on Smith Corona of the US and Samsung of South Korea as possible for the marketing and service network.

Earnings rise at Bayerische Vereinsbank

By *David Waller*

THE BAYERISCHE Vereinsbank, one of the two big Bavarian banks, yesterday said group partial operating profits for the first ten months grew to DM916m ($610.6m), a 17.6 per cent rise, against the corresponding period on an annualised basis. The result for the parent company was even better, with partial operating profits climbing 29.4 per cent to DM626m.

Mr Albrecht Schmidt, chief executive, said that there had been a sharp increase in earnings since the middle of the year.

In the parent bank, interest income rose by 14 per cent to DM1.6bn.

Michelin plans to issue free warrants to shareholders

By **William Dawkins** in Paris

MICHELIN, the world's largest tyre maker, yesterday announced that it will issue free warrants to shareholders, in a gesture designed to reward investors' loyalty for remaining with the company through heavy losses.

The group is planning, by the end of the year, to give shareholders the right to buy, until December 1995, one share at FFr200 for each share held and to subscribe for an extra FFr200 share, above the one for one allocation, for every 10 shares now held.

If investors hold onto their shares for another two years, to the end of 1993, they will qualify for extra warrants to buy at FFr200 per share.

Michelin's share price yesterday slipped by FFr2.5 to FFr113.2 just before the close, a long way below the price at which the warrants become worthwhile to shareholders.

However, stockbrokers predicted that Michelin's shares could rise above FFr200 some time next year, as a rigorous cost-cutting drive starts to erode losses.

The group reported a FFr5.27bn ($994m) net loss last year, hit by a plunge in tyre demand and an increase in interest charges due to the costs of funding the previous year's FFr9bn bid for Uniroyal Goodrich, the US tyre maker.

Forecasts for this year's net loss have varied from FFr2bn, from stockbrokers James Capel to FFr1.8bn from Cholet Dupont.

Michelin has forecast that it should start to break even at the pre-tax level, before interest charges, in the final months of this year.

Stockbrokers have warned that the timing of Michelin's return to profitability is still unclear, given that the industry has not had complete success in persuading dealers of replacement tyres to accept recent price increases.

The French car market, meanwhile, remains depressed, with registrations down 13.1 per cent to 1.86m in the first 11 months of this year.

Fiat, FSM agreement delayed

By **Robert Graham** in Rome

TOUGH negotiations on the price Fiat will pay for a 51 per cent stake in Fabryka Samochodow Malolitrazowych (FSM), the Polish state automotive group, have delayed an early agreement between the companies.

A memorandum was signed between the companies on October 11, committing them to complete the deal, including an initial $800m payment by Fiat by the end of the year. However, yesterday Mr Paolo Cantarella, managing director of Fiat Auto said the agreement was unlikely to be concluded before mid-January because the price paid by Fiat had yet to be finalised. Further talks are expected next week.

Mr Cantarella was speaking at the launch in Rome yesterday of the new Fiat Cinquecento, the first car to be built from scratch in eastern Europe and produced by FSM.

Fiat has so far spent L1,000bn ($841m) since 1987 on re-tooling and modernising FSM's plants in Poland in order to produce this latest version of the traditional '500', Mr Cantarella said. The first models of the Cinquecento are expected to be on the market by March and in the first year Fiat expects some 120,000 units to be produced with one-third being absorbed by the domestic Polish market and the rest sold abroad, principally in Italy.

The company declined to put a price on the car. Current capacity at the FSM plants is 180,000 units, but this will be expanded to 240,000.

In the new company controlled by Fiat, 20 per cent of the shares will be held by the company's Polish workforce, although the mechanism for this is still being worked out.

More Swiss companies 'may adopt IAS'

By **Ian Rodger** in Zurich

THE SWISS stock market may be in for a gradual re-rating in the next couple of years as more Swiss quoted companies move to adopt international accounting standards, according to a new study by Pictet, the Geneva private bank, and Société Fiduciaire Suisse-Coopers & Lybrand's.*

Pictet has estimated the ratio of the price to expected 1992 earnings of the Swiss stock market is now about 11.8 times.

It claims if international accounting standards (IAS) are applied to these companies, the p/e ratio of the market drops to 10.1 times.

This compares unfavourably with the bank's estimates of p/e ratios on 1992 earnings for the markets in Germany (14.3 times), the UK (12.1 times) and the US (15.4 times).

The study documents the considerable progress of Swiss companies in the past two years in improving disclosure about their activities and financial position and it predicts that the trend will continue.

This is partly in anticipation of an obligation to harmonise Swiss practices with those elsewhere in Europe, but also because many companies, particularly the larger ones, feel an increasing need to tap foreign sources of funds.

Among the companies whose profits would rise most if they adopted IAS, and which are recommended by Pictet for this and other reasons are: Bobst, Ciba-Geigy, Holderbank and Sandoz.

* *The Financial Transparency of Swiss Companies, Pictet & Cie and Société Fiduciaire Suisse-Coopers & Lybrand's, Geneva, 164pp.*

INTERNATIONAL COMPANIES AND FINANCE

IBM seeks to ease doubts over reshaping

By Louise Kehoe in New York

IBM sought to dispel investor anxiety over its reorganisation plans yesterday at a rare meeting with Wall Street analysts.

Mr John Akers, chairman of the US computer maker, reiterated his plans to "rebuild IBM" by giving individual business units greater autonomy. He also set aggressive financial goals for the company.

IBM will aim for an 18 per cent return on equity, up from 14.8 per cent in 1990 and a much lower figure this year. However, it will take IBM about three years to achieve, top executives said.

The year 1991 had been tough for IBM but the year was "an aberration," Mr Akers said. "We are about to close the books on the most difficult year in the history of the information technology industry," he added.

"We began 1991 in reasonable shape. The market valuations of our stock reflected that we have begun what was regarded as a well-conceived major product transition." As the year went on, however, economic pressures created sluggish demand.

1991 will show revenue decline and operational profits will be down.

On Friday, IBM's shares closed at a 12-year low of $89. Yesterday, following the analysts' meeting, the stock price fell further to $88⅞ at midday.

Analysts remained concerned about the short-term impact of the reorganisation and largely unconvinced that it would produce improved performance in 1992.

Wharf (Holdings) profits rise 22% at six months

By Angus Foster in Hong Kong

WHARF (Holdings), the main public company in the empire founded by the late shipping tycoon Sir Yue-kong Pao, yesterday announced a 22 per cent increase in profits attributable to shareholders of HK$842.9m (US$108.4m) in the six months to the end of September.

Turnover increased 9.8 per cent to HK$1.55bn while profits were helped by a lower tax charge and a HK$40m extraordinary gain.

But World International, the holding company for Wharf and other group companies, increased profits by only 6.5 per cent to HK$484.1m following weak profits in its trading and retailing arms.

Wharf, which is managed by Mr Peter Woo, Sir YK's son-in-law, said its property and infrastructure businesses performed well but hotel operations in Hong Kong and North America were respectively affected by room oversupply and the recession. Despite increased competition,

Peter Woo: optimistic view for the hotels business

Wharf said it was more optimistic for the hotels outlook from 1992.

Wharf is changing its year end from March 31 to December 31 to bring it into line with other leading Hong Kong companies. It will pay an interim dividend of 14.5 cents for the nine months to the end of September, a 16 per cent increase on last year's interim payment. World is to raise its interim dividend 8.3 per cent to 6.5 cents a share.

Wharf said profits for the year would be affected by redevelopment of two luxury residential blocks. But rental income from the company's core Harbour City site increased 10 per cent over the previous year and retail and residential space was virtually fully taken up.

Three other developments in Hong Kong are on schedule and will add about 4.7m square feet to the company's property portfolio. The company is also developing 2m sq ft of retail and residential space in Singapore.

World International said profits in the second half of the year would be boosted by property development sales. But retailing operations would continue to face difficult conditions, the company said.

CanPac cuts payout and warns on future

By Robert Gibbens in Montreal

CANADIAN Pacific (CP), the country's biggest transport and industrial holding company, is cutting its quarterly dividend to 8 cents a share and warns that because of the long recession profitability will not return soon.

The reduced payout applies to the final quarter of 1991 and is payable January 28 1992, to shareholders on record on December 27 1991. Preferred dividends are being paid normally.

The common dividend has fallen steadily all this year because of CP's severely declining profits. The March quarterly payment was 23 cents a share, the June and September payments 16 cents a share and the final payment 8 cents.

CP said it must conserve cash and restrict investment in projects that would improve subsidiaries' competitiveness.

Nine months' operating net profit was C$13m (US$11.50m) but after special items CP lost C$26.2m, or 8 cents a share, against final net profit of C$252m, or 79 cents, a year earlier. Revenues were C$7.5bn against C$7.8bn.

Analysts expect a small operating net profit for all of 1991 but a final loss after heavy year-end write-downs.

Japan's groups feel finance pinch

By Emiko Terazono in Tokyo

NON-OPERATING profits at Japanese companies fell sharply in the six months to September due to increases in interest payments, losses on stock investments and cash flow declines.

According to Wako Research Institute of Economics, the research arm of the Japanese brokerage, 1,086 companies listed on the first section of the Tokyo Stock Exchange posted combined non-operating losses of Y881.9bn (US$6.9bn) in the first six months. The figure, which does not include those of financial institutions, deepened by Y132.4bn, or 17.7 per cent from the same period last year.

The non-operating balance reflects profits and losses from financial items such as receipts and payments of interest, dividends, and gains and losses through financial investments.

Japanese companies have traditionally been highly dependent on non-operating profits to boost pre-tax profits, apart from profits from their mainline business operations.

JAPANESE NON-OPERATING PROFITS
First six months to September 1991

	Operating profit Ybn	% change	Ratio of non-operating to pre-tax profit
Toyota	138.2	33.6	50.0
Matsushita	43.1	-26.3	40.3
Sony	26.6	28.3	71.1
Nissan	19.7	-2.7	47.6
Fuji Photo	18.3	50.8	21.0
Sharp	16.1	2.1	39.1
Nippon Oil	16.0	26.6	75.0
Nippondenso	14.7	37.8	36.2
Hitachi	14.4	62.0	18.0
Sanyo	13.9	9.6	69.1

Source: Wako Research Institute of Economics

Non-operating profits at Toyota Motor, for example, accounted for half of its interim pre-tax profits, while at Matsushita Electric Industrial, 40.3 per cent of its pre-tax profits came from profits on its financial items.

Wako said that companies, especially those with speculative securities investments, have been hit by the burst in Japan's "financial bubble", highlighted by the fall in the stock market. Interest payments at many companies have also increased due to a sharp rise in borrowings reflecting deteriorating profits.

The non-operating balance, which rose for eight consecutive years since fiscal 1982, declined for the first time in fiscal 1990.

The non-operating balance improved in 12 sectors from the same period last year, but most sectors posted declines from the second half of fiscal 1990.

Barlow Rand pledges to resume growth

BARLOW Rand, South Africa's largest industrial company, expected to resume the group's earnings growth for the current financial year ending September 30, 1992, after two years of decline, Mr Warren Clewlow, chairman, said in his review of the past year, Reuter reports from Johannesburg.

The group "will continue to build on our well-established brand names and make efforts to enhance our market shares, taking the opportunity to strengthen our businesses with suitable acquisitions as and when appropriate", Mr Clewlow said.

Brooke Bond India wins delay

BROOKE Bond India, part of the Anglo-Dutch group Unilever, has won the first round in its fight to stop Mr Vijay Mallya's UB Group selling its food processing business to Nestlé of India, writes Gita Piramel in Bombay.

The Bombay High Court, has issued an interim stay order restraining Mr Mallya from selling his 67 per cent stake.

Telecom NZ aims to halt inquiry with legal threat

By Terry Hall in Wellington

TELECOM Corporation of New Zealand is threatening legal action against the New Zealand Commerce Commission unless it drops an inquiry into competition in the telecommunications industry.

Dr Susan Lojkine, commission chairman, described the threat as absurd.

This is the first time an attempt has been made to stop the commission carrying out an inquiry under the Commerce Act, which charges it with promoting competition in New Zealand markets.

Late last week Telecom NZ imposed a 48-hour deadline on the commission to discontinue the inquiry or face High Court proceedings.

Following the threat, Dr Lojkine made public correspondence and minutes of a meeting with Telecom NZ "in the public interest". These said in part that the commission had no vendetta against Telecom NZ, but was concerned that competition be promoted within the industry.

The commission announced its inquiry three weeks ago, saying it would also examine the effects of the government's "light handed" disclosure regime that was adopted when the telecommunications market was deregulated 18 months ago.

Mr Martin Wylie, Telecom NZ secretary, said in a letter to the commission that an inquiry was inappropriate while Telecom NZ was already involved in High Court action that would feature in an inquiry.

Telecom NZ expressed concern at the effect any inquiry might have on its share price.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
00:30	16.61	16.28	16.28
01:00	25.49	26.53	28.21
01:30	25.49	26.53	28.16
02:00	25.49	26.53	28.16
02:30	21.20	19.35	20.76
03:00	18.91	17.99	19.38
03:30	18.47	17.98	19.38
04:00	16.57	16.19	16.19
04:30	16.46	16.10	16.10
05:00	16.46	16.08	16.08
05:30	16.44	16.08	16.08
06:00	16.42	16.07	16.07
06:30	16.44	16.07	16.07
07:00	16.44	16.07	16.07
07:30	16.44	16.07	16.07
08:00	16.44	16.07	16.07
08:30	16.44	16.15	16.15
09:00	16.52	16.10	16.10
09:30	18.36	17.91	19.32
10:00	17.81	17.91	19.31
10:30	19.01	18.20	19.61
11:00	18.69	18.20	19.61
11:30	19.76	18.99	20.43
12:00	22.18	21.54	23.07
12:30	30.14	24.00	25.62
13:00	30.14	24.00	25.60
13:30	30.14	19.88	21.33
14:00	19.01	18.99	20.41
14:30	16.54	18.99	20.41
15:00	16.50	16.22	16.22
15:30	16.52	16.19	16.19
16:00	16.66	16.22	16.22
16:30	21.10	16.28	16.28
17:00	21.10	18.42	19.61
17:30	29.21	22.73	24.26
18:00	29.21	27.61	29.29
18:30	29.21	27.61	29.20
19:00	22.48	27.61	29.29
19:30	22.46	27.61	29.26
20:00	21.65	22.73	24.22
20:30	19.91	20.54	21.97
21:00	19.53	18.99	20.38
21:30	19.01	18.99	20.39
22:00	18.65	18.50	19.89
22:30	18.01	18.50	19.89
23:00	16.52	16.25	16.25
23:30	16.46	16.10	16.10
24:00	16.44	16.12	16.12

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision

NGC Settlements Limited

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 9, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.9404	34.9164	42.7801
Albania	(Lek)	10.1515	5.6194	3.5713	4.3756
Algeria	(Dinar)	39.3095	21.76	13.8291	16.9437
Andorra	(Fr Fr)	9.7200	5.3805	3.4195	4.1896
	(Sp Peseta)	181.90	100.692	63.9929	78.4051
Angola	(Kwanza)	160.95	89.0949	56.6226	69.375
Antigua	(E Carr $)	4.8775	2.6999	1.7159	2.1023
Argentina	(Austral)	17923.05	9921.42	6305.38	7725.45
Aruba	(Florin)	3.2335	1.7899	1.1375	1.3937
Australia	(Aus $)	2.3410	1.2958	0.8235	1.009
Austria	(Schilling)	19.956	11.0462	7.0202	8.6012
Azores	(Port Escudo)	253.00	140.05	89.0061	109.052
Bahamas	(Bahama $)	1.8065	1	0.6355	0.7786
[illegible]					
Egypt	(Egyptian £)	5.97	3.3047	2.1002	2.5732
El Salvador	(Colon)	14.4965	8.0246	5.0999	6.2484
Equat'l Guinea	(CFA Fr)	486.00	269.029	170.976	209.483
Ethiopia	(Ethiopian Birr)	3.7120	2.0548	1.3058	1.6
Falkland Is	(Falk £)	1.00	0.5535	0.3518	0.431
Faroe Is	(Danish Kroner)	11.0525	6.1181	3.8883	4.764
Fiji Is	(Fiji $)	2.6545	1.4694	0.9338	1.1441
Finland	(Markka)	7.7085	4.267	2.7118	3.3226
France	(Fr)	9.7200	5.3805	3.4195	4.1896
Fr. Cty/Africa	(CFA Fr)	486.00	269.029	170.976	209.483
Fr. Guiana	(Local Fr)	9.7200	5.3805	3.4195	4.1896
Fr. Pacific Is	(CFP Fr)	172.00	95.2117	60.5101	74.1379
Gabon	(CFA Fr)	486.00	269.029	170.976	209.483
Gambia	(Dalasi)	16.3650	9.0589	5.7572	7.0538
Germany	(D-Mark)	2.8425	1.5734	1	1.2252

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	671.70	371.824	236.306	289.526
Gibraltar	(Gib £)	1.00	0.5535	0.3518	0.431
Greece	(Drachma)	325.40	180.127	114.477	140.259
Greenland	(Danish Krone)	11.0525	6.1181	3.8883	4.764
Grenada	(E Carr $)	4.8775	2.6999	1.7159	2.1023
Guadaloupe	(Local Fr)	9.7200	5.3805	3.4195	4.1896
Guam	(US $)	1.8065	1	0.6355	0.7786
Guatemala	(Quetzal)	9.1770	5.0799	3.2284	3.9556
Guinea	(Fr)	1467.40	812.289	516.236	632.5
Guinea-Bissau	(Peso)	9032.50	5000	3177.66	3893.32
Guyana	(Guyanese $)	219.05	121.257	77.0624	94.4181
Haiti	(Goude)	9.0325	5	3.1776	3.8933
Honduras	(Lempira)	9.6365	5.3343	3.3901	4.1536
Hong Kong	(HK $)	14.0625	7.7843	4.9472	6.0614
[illegible]					
Mongolia	(Tugrik)	75.8730	42	26.6923	32.7038
Montserrat	(E Carr $)	4.8775	2.6999	1.7159	2.1023
Morocco	(Dirham)	15.00	8.3033	5.277	6.4655
Mozambique	(Metical)	3212.25	1778.16	1130.08	1384.59
Namibia	(S A Rand)	5.0200	2.7788	1.766	2.1637
Nauru Is	(Australian $)	2.3410	1.2958	0.8235	1.009
Nepal	(Nepalese Rupee)	77.1375	42.6999	27.1372	33.2489
Netherlands	(Guilder)	3.2050	1.7741	1.1275	1.3814
N'nd Antilles	(A/Guilder)	3.2335	1.7899	1.1375	1.3937
New Zealand	(NZ $)	3.2438	1.7956	1.1411	1.3981
Nicaragua	(Gold Cordoba)	9.0325	5	3.1776	3.8933
Niger Rep	(CFA Fr)	486.00	269.029	170.976	209.483
Nigeria	(Naira)	17.7035	9.7998	6.2281	7.6308
Norway	(Nor. Krone)	11.2050	6.2026	3.9419	4.8297
Oman	(Rial Omani)	0.6957	0.3851	0.2447	0.2998

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	44.5260	24.6476	15.6643	19.1922
Panama	(Balboa)	1.8065	1	0.6355	0.7786
Papua New Guinea	(Kina)	1.7105	0.9468	0.6017	0.7372
Paraguay	(Guarani)	2407.20	1332.52	846.86	1037.59
Peru	(New Sol)	1.8300	1.013	0.6437	0.7887
Philippines	(Peso)	47.2410	26.1505	16.6195	20.3625
Pitcairn Is	(£ Sterling)	1.00	0.5535	0.3518	0.431
	(NZ $)	3.2438	1.7956	1.1411	1.3981
Poland	(Zloty)	19962.00	11050.1	7022.69	8604.31
Portugal	(Escudo)	253.00	140.05	89.0061	109.052
Puerto Rico	(US $)	1.8065	1	0.6355	0.7786
Qatar	(Riyal)	6.5685	3.636	2.3108	2.8312
Reunion Is. de la	(F/Fr)	9.7200	5.3805	3.4195	4.1896
Romania	(Leu)	334.34q	185.076	117.622	144.112
Rwanda	(Fr)	218.66	121.041	76.9252	94.25
[illegible]					
USSR	(Rouble)	3.0579c	1.6927	1.0757	1.318
Vanuatu	(Vatu)	199.05	110.185	70.0263	85.7974
Vatican	(Lira)	2151.50	1190.98	756.904	927.371
Venezuela	(Bolivar)	109.55	60.6421	38.54	47.2198
Vietnam	(Dong)	23466.45	12990	8255.57	10114.8
Virgin Is-British	(US $)	1.8065	1	0.6355	0.7786
Virgin Is-US	(US $)	1.8065	1	0.6355	0.7786
Western Samoa	(Tala)	4.3455	2.4054	1.5287	1.873
Yemen (Rep of)	(Rial)	23.3940	12.9499	8.23	10.0836
Yemen (Rep of)	(Dinar)	0.8400	0.4649	0.2955	0.362
Yugoslavia	(Dinar)	37.0677	20.519	13.0405	15.9774
Zaire Rep	(Zaire)	117530.00	65059.5	41347.4	50659.5
Zambia	(Kwacha)	150.30	83.1995	52.8759	64.7844
Zimbabwe	($)	9.0775	5.0249	3.1934	3.9127

Special Drawing Rights December 6, 1991 United Kingdom £0.777814 United States $1.39812 Germany D Mark 2.21924 Japan Yen179.658
European Currency Unit Rates December 9, 1991 United Kingdom £0.715442 United States $1.29245 Germany D Mark 2.03496 Japan Yen165.692

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, December 9, 1991

LEGAL NOTICES

NOTICE OF MEETING OF CREDITORS
ROOMISER ENERGY DEVELOPMENTS LIMITED
(JOINT ADMINISTRATIVE RECEIVERS APPOINTED)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham B3 2DA on 19 December at 11.30 am. for the purposes mentioned in Section 48 and 49 of the said Act.
A person is only entitled to vote at this meeting if:-
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and :
(b) such claim has been duly admitted, and .
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.
Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.
If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT.
Dated this 5 December 1991
David J. Corney
Joint Administrative Receiver

PUBLIC NOTICES

INSURANCE COMPANIES ACT 1982
Notice of Approval of Transfer of Business

Notice is hereby given pursuant to section 51(5)(a) of the Insurance Companies Act 1982 that the Secretary of State has approved a transfer of certain general business from REFUGE ASSURANCE PLC ("the transferor") to DIRECT LINE INSURANCE PLC ("the transferee").

Department of Trade and Industry
LONDON
28 November 1991

THE BUSINESS SECTION ALSO APPEARS ON PAGES 14 - 16 TODAY

INTERNATIONAL CAPITAL MARKETS

European traders wait for direction from Maastricht

By Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bond markets remained in limbo yesterday as traders awaited news from the European Community summit in Maastricht.

In the German government bond market, dealers reported some "cash and carry" trades, with buying of the new 10-year bund, the 8¼ per cent bund due September 2001, and selling of futures.

Traders consider the new cash bund to be cheap against the futures contract. Events in the Soviet Union had little impact on the German market, and the Liffe bund futures contract, which opened at 86.52, moved in a narrow range of 86.43 to 86.55, closing almost unchanged on the day.

Separately, the German postal authority accepted bids for DM1.5bn of 8.75 per cent four-year notes in a tender. The average yield on the notes allotted was 8.95 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.3725	-1.405	9.71	9.81	9.77
BELGIUM		9.000	06/01	98.2500	-0.050	9.11	9.16	9.02
CANADA *		8.500	04/02	99.9000	-0.050	8.51	8.47	8.46
DENMARK		9.000	11/00	99.8900	-0.150	9.01	9.06	8.84
FRANCE	BTAN	8.500	11/96	97.2921	-0.113	9.19	9.18	8.87
	OAT	9.500	01/01	103.3800	-0.090	8.93	9.00	8.76
GERMANY		8.25	09/01	99.8800	-0.120	8.26	8.34	8.23
ITALY		12.000	06/01	98.5500	-0.050	12.63	12.68	12.47
JAPAN	No 119	4.800	06/99	93.8223	-0.194	5.99	6.13	6.23
	No 129	6.400	03/00	104.1728	-0.298	5.66	5.79	5.90
NETHERLANDS		8.500	03/01	98.2400	-0.050	8.78	8.84	8.73
SPAIN		11.900	07/96	99.6200	-0.130	11.95	11.90	11.61
UK GILTS		10.000	11/96	100.6875	-1/32	9.82	9.96	9.63
		10.000	02/01	101.6875	+3/32	9.71	9.94	9.64
		9.000	10/08	95.9375	+6/32	9.49	9.66	9.46
US TREASURY *		7.500	11/01	101.7813	-2/32	7.24	7.38	7.42
		8.000	11/21	102.2500	-1/32	7.80	7.93	7.98

London closing, *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

■ EXPECTATIONS of another easing in monetary policy by the Federal Reserve lifted US Treasury prices at the short end of the market.

By midday, the benchmark 30-year government issue was unchanged at 102$\frac{8}{32}$, yielding 7.796 per cent, but the two-year note was sharply higher, up $\frac{3}{32}$ at 100¾, yielding 5.078 per cent. Trading activity was reported to be light.

Hopes of an interest rate cut are centred on a reduction in the discount rate, possibly by as much as 50 basis points to 4 per cent, soon after the December 17 meeting of the policy-making Federal Open Market Committee.

Analysts believe the Fed will sanction another rate cut in the wake of last week's worryingly large rise in November unemployment.

It responded to that news on Friday by lowering the target for the Fed funds rate by a quarter of a percentage point, to 4½ per cent.

The monetary authorities have the room to ease policy because inflation is relatively unthreatening, a point which should be backed up by this week's producer and consumer prices data.

Analysts expect both Thursday's producer price index and Friday's consumer price index for November to have risen 0.3 per cent.

GOVERNMENT BONDS

Elsewhere in Europe, traders noted further selling of Swedish government debt, particularly 10-year bonds, following the sharp rise in Swedish interest rates last week, from 11.5 per cent to 17.5 per cent.

■ UK government bond prices edged up on thin volumes, as its market also awaited the outcome of the Maastricht meeting.

The benchmark 11¾ per cent gilt due 2003/07 inched up from 113½ to 113$\frac{21}{32}$. Traders said the release yesterday of the revised October retail sales figures, showing a fall of 0.6 per cent on the previous month compared with a provisional estimate of 0.5 per cent, had no impact on the market. However, today's producer prices figures are expected to show a fall in underlying inflation.

■ JAPANESE government bonds slipped back on profit-taking, following the recent rally and ahead of the release of the Bank of Japan's quarterly "*tankan*" survey of business sentiment.

Traders said the survey, which is published today and is expected to show a slowdown in Japan's economic growth, has already been discounted by the market.

The yield on the benchmark No 129 JGB opened firm at 5.615 per cent – the high of the day – helped by a stronger yen and Friday's easing in the key Fed funds rate, and closed at 5.655 per cent. The December futures contract dropped from 101.35 to 101.15.

Short-term interest rates edged up as traders noted a shortage of funds. The overnight call money rate rose from 6$\frac{9}{16}$ per cent to 6$\frac{11}{16}$ per cent.

RJR Nabisco debt rating upgraded

THE SENIOR ratings on $16.5bn debt of RJR Nabisco Holdings and its units have been upgraded by Moody's Investors Service, the US credit rating agency, to Baa-3 from Ba-1, Agencies report. This brings the ratings up to investment grade from junk status.

Standard & Poor's credit agency also upgraded the rating on RJR Nabisco Holdings' and its units' senior debt, to Triple-B-Minus from Double-B-Plus.

S&P said the subordinated debt, preferred equity redeemable cumulative stock (Percs), and cumulative convertible preferred stock ratings were being upgraded to Double-B-Plus from Double-B-Minus.

Moody's cited the company's improved financial structure, resulting from steps which have increased common equity in the past year by about $4.8bn. It believes management will take advantage of the financial flexibility to use a large portion of its higher discretionary cash-flow for continued debt reduction.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on December 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	102¾	103¼	-¼	7.95
ALBERTA PROVINCE 9 3/8 95	600	109¼	109½	-⅛	6.62
AUSTRIA 8 1/2 00	400	105½	105¾	-¼	7.56
BANK OF TOKYO 8 3/8 96	100	104½	105	+⅛	7.11
BELGIUM 9 5/8 98	250	111¼	111¾	-¼	7.37
BFCE 7 3/4 97	150	103¾	104	+¼	6.89
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COPENHAGEN TEL 8 5/8 96 LFr	600	98¾			9.15
WORLD BANK 8 96 LFr	1000	95¾			9.20
ABN AMRO HOLDING 9 1/4 01 Fl	750	101⅞	102		8.97
UNILEVER 9 00 Fl	500	102¾	103¼		8.52
ALBERTA PROVINCE 10 5/8 96 C$	500	106¼	106½		8.79
BELL CANADA 10 5/8 99 C$	150	106	106½	+⅛	9.46
BRITISH COLUMBIA 10 96 C$	500	104¼	104½		8.82
[illegible]					

[illegible]

INTERNATIONAL CAPITAL MARKETS

NTT in Japan's first set-price deal

By Emiko Terazono in Tokyo

NIPPON Telegraph and Telephone (NTT), the Japanese telecommunications company, is preparing to launch a straight bond issue. The deal will mark a significant step in the liberalisation of the Japanese domestic bond market.

The bonds will be the first to be sold using the fixed-price re-offer system, which means that underwriting banks agree to sell bonds at a set price level. Joint lead managers are Nomura and Morgan Stanley Japan, the first foreign investment bank awarded a lead underwriting role for a domestic issue.

The announcement comes at a time when companies have started to focus on the straight bond market for raising funds. The issue is also expected to pave the way for a more liquid secondary market.

NTT said it hoped the new fixed-price system – a method preferred in the US and Europe – would make the primary market more transparent and more attractive to investors.

Until now, domestic corporate bonds have been issued by the "proposal method", where underwriting is awarded to the securities house with the most competitive bid. The excessive competition for underwriting contracts led to unrealistic offering prices.

Under the fixed-price re-offer method, investor sentiment is screened prior to the offering, distribution of the issue is more orderly, and valuation is based on yields of Japanese government bonds, making the price levels more market-oriented. Also, underwriters will quote two-way prices, to create an active secondary market.

Mr John Wadsworth, president of Morgan Stanley Japan, said he hoped the issue meant a step toward improving the efficiency of the Japanese straight bond market. "A large liquid functioning market for corporate debt has been long overdue in Japan," he said.

The prolonged sluggishness in the stock market, and high lending rates set by commercial banks, have prompted companies to raise funds through straight debt.

Domestic private offerings of corporate bonds surged from Y452bn in 1990 to Y1,600bn for the first 10 months of this year. Issuing of straight bonds in the Euroyen market has also soared from Y952bn in 1990 to Y2,278bn for the January-to-October period this year.

IADB launches Y45bn Euroyen issue

By Simon London

THE Inter-American Development Bank yesterday launched a tightly-priced Y45bn five-year issue into the international bond market, adding to recent heavy supply of Euroyen paper.

The issue followed five-year deals totalling Y150bn launched last week by the World Bank and Tokyo Electric Power.

INTERNATIONAL BONDS

Lead managed by Daiwa Europe, the 5¾ per cent bonds were re-offered to investors at 99.65 bid. At this level the bonds offer a yield 8 basis points more than the World Bank paper issued last week, judged one or two basis points too tight by deal participants.

Although European and US demand for yen paper remains generally buoyant in anticipation of a further cut in Japanese interest rates, the bonds traded down to 99.45 bid, just inside full fees of 25 basis points.

Elsewhere, two Japanese companies chose to tap demand from Japanese investors by issuing Euroyen bonds rather than domestic securities. Nissan Motor and Oki Electric Industry raised Y30bn each with deals lead managed by Nikko Europe and Yamaichi International respectively.

Other Japanese companies look set to take the same route before the year-end, even though such deals are almost entirely placed with investors in Japan.

Underwriting fees and other costs associated with new bond issues are significantly less in the Eurobond market, offering a lower cost of funds to the companies.

The deals underline the high cost of raising funds through public bond issues in Japan. Large borrowers have recently moved to reduce the costs associated with new issues.

Yesterday Nippon Telegraph and Telephone said it planned to launch the first new issue in the Japanese market to use Eurobond market-style syndication techniques. Many Eurobond market participants saw the move as an attempt to cut the fees paid to intermediaries in the Japanese market.

If successful, it could halt issues such as yesterday's Nissan Motor and Oki Electric deals, drawing these companies back to their domestic market for yen funding.

Elsewhere, the international bond market was subdued, with few borrowers willing to enter the market. Syndicate officials said that the Eurodollar market might attract most potential borrowers.

Following last week's decline in short-term US interest rates, many borrowers are looking to lock into fixed-rate dollar funding.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
Inter-American Devt.Bk(a)†	45bn	5¾	99.65	1996	25/15bp	Daiwa Europe
Nissan Motor Co.(a)†	30bn	6.3	101.80	1997	1⅞/1½	Nikko Europe
Oki Electric Industry(a)†	30bn	6½	101.55	2000	2/1⅝	Yamaichi Int.
SWISS FRANCS						
World Bank(a)★★†	125	7	101¼	1999	-	Bque.Paribas (Suisse)
Lion Corp(b)★★♦	100	4¾	100	1995	-	SG Warburg Soditic
GUILDERS						
Oce-Van Der Grinten(a)†	200	9⅛	100.85	1997	1/⅝	ABN Amro

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable 19/12/93 at 101%, and 19/12/94 at 100½%.

TNT plans 75% flotation of US trucking operation

TNT, the Australian transport group, plans to float 75 per cent of TNT Freightways Corporation, its wholly-owned US trucking operation, to raise between US$212m and US$250m, writes Kevin Brown in Sydney.

Mr Fred Millar, TNT chairman, said yesterday Freightways would also pay a dividend of US$65m to TNT before the flotation, increasing the potential cash injection to a maximum of US$315m.

He said 10m shares would be offered to investors in the US at between US$17 and US$20 per share. A further 2.5m shares would be offered to non-US investors at the same price.

Freightways operates a group of regional carriers providing trucking services in most of the US and parts of Canada.

The announcement helped push TNT shares higher on the Australian Stock Exchange, where they closed 7 cents up on the day at A$1.41.

Analysts said proceeds of the flotation would probably be used to reduce TNT's net debt, which stood at A$2.1bn (US$1.7bn) at the end of 1990-91, but has since been pared back as part of a financial restructuring programme.

Insurer's fund targets UK retail investors

By Tracy Corrigan

LEGAL & General has launched the first futures and options fund aimed at retail investors, following the liberalisation of rules governing UK unit trusts in July.

The Legal & General UK Tactical Allocation Trust gives small retail investors with as little as £1,000 to invest the chance to participate in funds using techniques normally restricted to large institutional funds.

Futures and options funds (FOFs) can invest up to 10 per cent of their assets in derivative products, while the riskier *geared futures and options* funds (GFOFs) can have up to 20 per cent of their assets in futures and options.

Last week, John Govett, the UK fund management group, launched a group of nine futures and options funds aimed at medium-sized financial institutions, with a minimum £100,000 investment.

The fund uses quantitative investment techniques – employing computer models to calculate asset allocation, which is then achieved through the futures market – which are new to this sector of the business.

Several fund managers, such as *Prudential*, have had to put plans for FOFs and GFOFs on hold, after market research showed distrust of derivative instruments among retail investors. The SIB recently said it had received 10 applications for authorisation of FOFs, and one for a geared futures and options fund.

The unit trust will be offered at a 1 per cent discount for January. Mr Stephen Abbot, product development manager at L&G, said the firm had "no present intention to launch a geared fund", which he sees as a more specialist product. The L&G Tactical Allocation Trust is aimed at "traditional equity investors".

Some of these investors have been disappointed by the performance of unit trusts, due, in part, to investment managers' inability to switch between asset classes in, for example, UK equity unit trusts, when market conditions are unfavourable.

Securities regulators issue final version of rule-book

By Richard Waters

SECURITIES regulators in London yesterday finally laid to rest a system of regulation *which many investment firms* had warned would drive business away, undermining the City's position as an international financial centre.

The Securities and Futures Authority, the UK's regulator for the securities industry, published the final version of a new rule-book, replacing a five-year-old version which dated from the time when the body was set up.

The first set of rules had been widely criticised for being over-complex and involving securities firms in excessive compliance costs.

Mr Christopher Sharples, *SFA's* new chairman, called the new rules "a half-way house", avoiding the legalistic complexity of the earlier version but introducing enough certainty for investment firms to operate without fear of breaching the rules.

SFA staff will provide guidance to investment firms where the new rules are insufficiently precise to deal with a particular issue.

Doubts about the development of capital adequacy rules by the European Commission have led the SFA to delay the development of new rules in this area as well.

London's lighter capital adequacy regime retains a strong advantage over rival financial centres, an advantage that could be dispelled if the EC proceeds as planned with its own standardised regulation.

The new approach to regulation in London follows two moves:

- an amendment to the Financial Services Act to excuse professional markets many of the tight regulations which had been devised for unsophisticated, retail customers;
- and the introduction of a broad set of core investment principles by Sir David Walker, chairman of the Securities and Investments Board, which are intended to force companies to follow the spirit of the rules, not just the letter.

"There has to be an assumption of accountability right at *the top for this approach* to work," said Mr Sharples.

He said that London's relative freedom from securities scandals this year, compared with troubles in the US and Japan, meant that it was right to proceed in this direction, rather than creating ever-tighter rules.

The creation of the new rule-book will involve all securities firms regulated by SFA in reviewing and, in many cases, rewriting their existing internal compliance manuals, adding to the cost of regulation.

The SFA said that, according to legal advice it had received, it would qualify as a competent authority under EC law, enabling it to continue unaffected once EC investment regulation came into effect. Developments in Brussels were unlikely to force it into another rewrite of its rules in the foreseeable future, it said.

French groups establish new public debt market

By Tracy Corrigan

FOUR French state-owned borrowers and 10 financial institutions yesterday signed an agreement to set up a new financial market in public-sector debt.

Their aim is to increase the liquidity of the debt by reforming the structure of the market, and so attract more international investors.

The deal involves Crédit Foncier de France, the housing credit agency; Crédit Local de France, the local authority financing agency; Electricité de France, the electricity utility; and Société Nationale des Chemins de Fer Français, the French railway. They have been working with *the* financial institutions for the last year on yesterday's market-making agreement.

The banks have agreed to quote prices on 15 issues on a screen; to limit the margin between bid and offer prices to 25 basis points; and to quote prices for a minimum volume of FF20m.

The market-makers have been named SVPs (Spécialistes en Valeurs du Secteur Public). The market is based on the system of Spécialistes en Valeurs du Tresor – designated government bond market-makers.

A group of 10 financial institutions signed the agreement. The participants, which cannot be changed before January 1993, are: Banque Indosuez, Banque Nationale de Paris, Banque Paribas, Caisse des Depôts, Crédit Agricole, Crédit Commercial de France, Crédit Lyonnais, Société Générale, and two foreign banks with a *strong presence in France*, JP Morgan and SG Warburg Bacot-Allain.

EdF and SNCF have already issued large domestic bonds with international tranches, and traders report increasing international participation in the public-sector debt market.

United Arab Emirates banks in link

EMIRATES Bank International (EBI), which is 80 per cent-owned by the Dubai government, acquired a majority shareholding in the private, Dubai-based Middle East Bank (MEB), Reuter reports.

Banking sources in the United Arab Emirates said MEB had run into financial difficulty.

A Western *accounting and* consulting firm, after an extensive study this year of MEB's financial position, recommended new capital injection to the bank to keep it going, they said.

EBI said it had bought 86.5 per cent of the shares of *MEB, which had been con*trolled by the private al-Futtaim group.

"The acquisition is being undertaken with the approval of the government of Dubai and the acknowledgement of the central bank of the UAE [United Arab Emirates]," the banks said.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Dec 9 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Dec 6 Index No.	Thu Dec 5 Index No.	Wed Dec 4 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	732.22	+1.9	9.31	6.59	13.72	34.30	718.82	723.13	728.92	729.41
2 Building Materials (23)	869.51	+2.4	8.02	7.16	16.84	46.51	849.28	854.55	853.72	979.45
3 *Contracting, Construction* (29)	914.08	+2.0	8.19	8.28	17.89	51.42	895.94	900.97	906.47	1142.55
4 Electricals (10)	2356.61	+1.3	10.23	6.27	12.44	98.23	2325.91	2316.13	2321.64	1934.34
5 Electronics (25)	1632.72	+1.9	11.33	5.28	11.19	53.94	1602.93	1619.10	1633.45	1538.16
6 Engineering-Aerospace (8)	326.65	+0.8	17.16	7.96	7.04	18.52	323.99	323.16	324.61	407.51
7 Engineering-General (43)	452.13	+0.9	10.65	5.55	11.59	18.20	448.24	449.29	455.46	372.59
8 Metals and Metal Forming (9)	301.81	+0.8	2.17	11.66	–	25.83	299.33	302.07	303.14	413.18
9 Motors (12)	278.58	+1.5	9.29	8.64	14.29	17.56	274.53	278.98	286.10	298.45
10 Other Industrial Materials (20)	1473.60	+2.4	8.16	5.56	14.57	59.05	1438.63	1447.47	1461.56	1278.13
21 CONSUMER GROUP (190)	1545.03	+0.8	7.62	3.66	16.21	40.73	1532.98	1540.21	1546.00	1240.24
22 Brewers and Distillers (23)	1888.10	+0.9	8.97	3.68	13.48	49.14	1872.01	1874.08	1884.28	1583.38
25 Food Manufacturing (19)	1184.90	+0.5	9.70	4.27	12.72	37.32	1179.04	1176.50	1186.83	1031.71
26 Food Retailing (17)	2366.83	–0.2	9.79	3.50	13.26	65.37	2372.06	2391.66	2397.58	2289.16
27 Health and Household (23)	4140.27	+1.5	4.97	2.33	23.10	72.62	4078.69	4123.96	4093.67	2548.37
29 Hotels and Leisure (24)	1216.49	–0.1	8.38	5.81	14.76	45.61	1217.79	1224.60	1248.40	1235.86
30 Media (25)	1419.26	+0.9	7.32	5.01	17.92	48.36	1407.09	1404.91	1424.28	0.00
31 Packaging, Paper & Printing (17)	721.40	+0.8	7.48	4.61	16.20	24.43	715.44	719.62	733.67	530.31
34 Stores (32)	972.71	+0.6	7.78	3.82	16.92	26.77	966.48	969.93	973.01	830.42
35 Textiles (10)	594.52	–0.3	7.78	5.22	16.41	22.28	596.26	593.80	603.51	439.01
40 OTHER GROUPS (112)	1156.84	–0.2	10.39	5.72	12.16	40.33	1158.86	1168.68	1181.32	1023.78
41 Business Services (13)	1377.00	+0.6	7.23	4.72	17.58	46.93	1369.37	1370.06	1397.74	0.00
42 Chemicals (21)	1353.57	+0.1	7.37	5.42	16.85	54.35	1352.34	1370.05	1386.48	1082.75
43 Conglomerates (11)	1270.17	+1.1	11.47	8.46	10.71	44.87	1256.67	1277.45	1303.29	1301.37
44 Transport (14)	2188.23	+1.1	5.86	5.17	22.45	79.12	2165.05	2181.08	2206.33	1930.60
45 Electricity (16)	1146.62	....	15.64	5.90	8.32	27.53	1147.05	1146.46	1155.03	0.00
46 Telephone Networks(4)	1367.85	–2.2	11.47	4.58	11.38	30.42	1399.20	1409.84	1414.07	1172.85
47 Water(10)	2170.90	–0.6	19.48	7.27	5.66	151.44	2184.65	2187.57	2198.20	2235.85
48 Miscellaneous (23)	1734.78	+1.6	5.77	5.71	23.85	75.10	1707.95	1731.75	1764.22	1589.95
49 INDUSTRIAL GROUP (481)	1216.51	+0.7	8.79	4.81	14.26	39.66	1208.42	1215.82	1223.97	1049.35
51 Oil & Gas (19)	2161.56	+0.4	11.95	6.49	11.06	104.27	2152.90	2197.48	2216.43	2300.66
59 500 SHARE INDEX (500)	1299.63	+0.6	9.15	5.01	13.81	44.82	1291.39	1301.50	1310.53	1152.51
61 FINANCIAL GROUP (91)	700.38	+1.3	–	6.65	–	34.41	691.06	693.16	706.90	738.34
62 Banks (9)	804.33	+1.0	4.95	6.60	39.55	38.97	796.73	787.42	806.85	787.45
65 Insurance (Life) (7)	1384.01	+2.1	–	6.12	–	63.68	1356.16	1385.88	1409.76	1344.34
66 Insurance (Composite) (7)	512.80	+3.9	–	8.50	–	32.94	493.77	505.92	515.55	646.45
67 Insurance (Brokers) (10)	985.34	+2.0	8.29	6.79	15.88	49.46	966.48	970.07	983.93	1002.36
68 Merchant Banks (7)	448.84	–0.5	–	4.80	–	16.06	451.09	453.38	465.67	358.00
69 Property (35)	823.66	+0.3	6.12	5.70	23.79	33.34	821.06	823.80	833.37	991.50
70 Other Financial (16)	229.59	–0.6	11.53	7.62	10.91	13.03	230.88	233.01	236.00	254.96
71 Investment Trusts (69)	1134.08	....	–	3.82	–	31.82	1133.87	1138.67	1148.53	1025.57
99 ALL-SHARE INDEX (660)	1156.61	+0.7	–	5.18	–	41.78	1148.49	1156.71	1166.58	1049.99

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Year ago
FT-SE 100 SHARE INDEX♦	2409.6	+20.9	2409.6	2377.0	2388.7	2407.0	2423.8	2420.2	2414.9	2182.5

FIXED INTEREST

PRICE INDICES	Mon Dec 9	Day's change %	Fri Dec 6	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	122.15	+0.03	122.33	2.36	10.97
2 5-15 years (27)	135.01	+0.02	135.60	2.54	12.45
3 Over 15 years (8)	143.67	+0.14	143.47	2.23	12.20
4 Irredeemables (6)	157.90	+0.08	157.78	1.35	13.68
5 All stocks (69)	133.28	+0.04	133.66	2.47	12.08
Index-Linked					
6 Up to 5 years (2)	167.15	+0.06	167.05	0.70	3.16
7 Over 5 years (9)	148.55	–0.02	148.58	1.26	3.83
8 All stocks (11)	149.99	–0.01	150.00	1.17	3.81
9 Debs & Loans (62)	113.12	+0.04	113.22	1.63	10.75

AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 9	Fri Dec 6	Year ago (approx.)
British Government				
1 Low	5 years	8.81	8.72	9.62
2 Coupons	15 years	9.46	9.46	10.07
3 (0%-7¾%)	20 years	9.46	9.46	10.10
4 Medium	5 years	9.82	9.78	10.79
5 Coupons	15 years	9.58	9.59	10.46
6 (8%-10¾%)	20 years	9.54	9.55	10.37
7 High	5 years	10.04	10.02	10.92
8 Coupons	15 years	9.66	9.67	10.65
9 (11%-)	20 years	9.58	9.59	10.56
10 Irredeemables	†	9.65	9.65	10.30
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.95	3.95	3.86
12 Inflation rate 5%	Over 5 yrs.	4.33	4.32	4.13
13 Inflation rate 10%	Up to 5 yrs.	3.34	3.33	2.63
14 Inflation rate 10%	Over 5 yrs.	4.16	4.15	3.95
15 Debs &	5 years	11.35	11.32	12.59
16 Loans	15 years	11.15	11.14	12.38
17	25 years	10.97	10.97	12.17

§Opening index 2381.1; 9 am 2384.3; 10 am 2394.6; 11 am 2392.6; Noon 2391.6; 1 pm 2391.2; 2 pm 2389.8; 2.30 pm 2391.2; 3 pm 2391.4; 4.10 pm 2407.8; (a) 4.30pm (b) 8.41am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. DELETION: Manakin (71).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	37	34
Other Fixed Interest	1	9	9
Commercial, Industrial	281	249	965
Financial & Property	104	121	550
Oil & Gas	16	13	63
Plantations	0	0	10
Mines	35	25	92
Others	19	27	98
Totals	467	481	1,821

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
100	Nil	12/12	12½pm	¼pm	Attwoods	¼pm	
42	Nil	17/12	2pm	¾pm	♦Corporate Services 40p	¾pm	
230	Nil	20/12	26pm	16½pm	Morrison (W) Supermkts	18pm	
84	Nil	23/12	4pm	1¼pm	Pict Petroleum 5p	1½pm	
7½	Nil	17/12	3pm	½pm	Ross Group 5p	½pm	–½
150	Nil	16/12	1½pm	1½pm	St. Davids Inv Inc	1½pm	
40	Nil	16/12	14pm	12½pm	TIP Europe 5p	12½pm	
5	Nil	20/12	1½pm	¼pm	♦Union Square 1p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Dec. 2
- Last Dealings Dec. 14
- Last Declarations March 5
- For settlement March 16

For rate indications see end of London Share Service

Calls in ASDA, Berisford Intl., British Telecom New (partly-paid), BTR warrants 95/96, Carlton Comms., Dowty, GRE, Lasmo, *Premier Cons., Tarmac,* Trafalgar Hse. and S.W. Wood. Puts in ADT, Barratt Devs., Bridgend, Era, Forte and WPP. Puts and calls in Albert Fisher and Lonrho.

LONDON TRADED OPTIONS

Option		Calls			Puts		
Storehouse (*98)	90	9½ 13½ 15½			3 5 6		
	100	4½ 8 10½			7 9½ 11½		
Trafalgar (*162)	160	10 16½ 19½			7 11½ 15½		
	180	3½ 9 12			20 23 28		
Utd Biscuits (*382)	360	27½ 36½ 41½			2¼ 9 11½		
	390	9½ 18½ 25			14½ 22 25		
Unilever (*838)	800	51½ 67½ 81½			7½ 19½ 25½		
	850	18 37½ 51½			27½ 43½ 48½		
Ultramar (*271)	260	17½ 24½ –			6½ 14 –		
	280	8 15½ –			16 25½ –		

Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*330)	300	39½	41½	45½	4¾	15½	18
	330	20	23½	31	16	27½	32½
Barclays (*345)	360	1¼	11½	17½	16	30½	32½
Blue Circle (*214)	200	13	23	27	1¼	6	10½
	220	1½	11½	13½	9½	14½	20½
British Gas (*238)	220	18	22	23½	1	4	7
	240	3	10	13½	6	12½	17½
Dixons (*221)	220	1½	11½	13½	9½	14½	20½
	240	½	4¾	7	27½	29½	35½
Eurotunnel (*363)	360	17½	39½	55	13½	25½	30½
	390	6½	22½	31½	23½	35½	45
Glaxo (*822)	800	29½	66½	93½	7½	31½	42½
	850	8	42	68½	35½	55½	66½
Hawker Sidd. (*726)	700	23	40½	53½	1¼	5½	10
	750	2½	9½	15	28½	30½	33½

FT-SE INDEX (*2400)

	2275	2325	2375	2425	2475	2525	2575	2625
CALLS								
Dec	128	86	49½	23½	8½	3	1	½
Jan	154	115	81½	52½	32	19	10	4½
Feb	174	136	103	74	51	33	21½	13
Mar	192	155	125	92½	71½	50½	35½	23½
Jun †	245	–	180	–	130	–	80	–
PUTS								
Dec	8½	15	27½	53½	93	142	192	242
Jan	24	35	51	73	105	146	194	244
Feb	32½	44½	62½	84½	117	150	193	243
Mar	45½	54½	74½	94½	127	156	196	246
Jun †	68½	–	105	–	155	–	220	–

December 9 Total Contracts 17,480
Calls 7,444 Puts 10,036
FT-SE Index Calls 1,811 Puts 3,081
Euro FT-SE Calls 182 Puts 695
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	42	ICI	95	Reed Intl	35	MEPC	42
Allied-Lyons	50	Comm Union	40	Ladbroke	21	Sears	8½	Mountleigh	4
Amstrad	6	Courtaulds	38	Legal & Gen	33	SmKl Bchm A	53	■ OILS	
Astec (BSR)	5	Eurotunnel	50	Lex Service	16	TI	39	Aviva Pet	3
BAT Inds	53	FKI	5	Lloyds Bank	30	TSB	11	BP	26
BOC	48	FNFC	10	Lonhro	20	Tesco	21	Burmah Castrol	47
BTR	33	Forte	21	Lucas Inds	12	Thorn EMI	65	Conroy Pet	8
Barclays	34	GKN	28	Marks Spencer	21	T & N	14	Gaelic Res	1
Blue Circle	20	Gen Accident	43	Midland Bank	20	Unilever	60	Premier Cons	4
Boots	33	GEC	16	NatWest Bank	28	Vickers	16	Shell	40
Bowater	55	Glaxo	110	P & O Dfd	41	Wellcome	60	*Tuskar Res*	1
Brit Aerospace	35	*Grand Met*	67	*Racal Elect*	6	■ PROPERTY		Ultramar	20
British Steel	10	GRE	14	RHM	23	Brit Land	27	■ MINES	
Brit Telecom	33	Hanson	17	Rank Org	55	Control Sec.	2	RTZ	46
Cadburys	35	Hawker Sidd	55	Ratners	12	Land Sec.	41		

COLLAPSE OF THE MAXWELL EMPIRE

Request was refused to put lending of stocks on agenda of meeting of pension fund trustees

LBIIM directors threatened to go to IMRO

MR ROBERT Maxwell threw a "fit of rage" when directors of London & Bishopsgate International Investment Management threatened in May 1991 to go to IMRO, the investment industry watchdog, according to a source close to Maxwell House, his London headquarters.

Lord Donoughue, executive vice-chairman, and Mr Mark Tapley, managing director, both left LBIIM, the fund management company, shortly after Mr Robert Maxwell repeatedly refused their request to put the issue of lending stocks from Maxwell companies' pension funds on the agenda of the next meeting of the pension funds' trustees.

Last night senior executives at London and Bishopsgate International Inc (LBII), the New York fund management company also controlled by Mr Robert Maxwell, were putting together a management buy-out, according to Mr Andrew Smith, the vice-chairman.

Talks with Arthur Andersen, the Maxwell administrators, were taking place yesterday. Mr Smith said LBII executives were also keen to get approval for an early change of name, though he denied that any clients had withdrawn their funds because of the collapse of the Maxwell empire and the questions about the role in the collapse of LBII's London namesakes, the London & Bishopsgate group of companies.

He said LBII had been asking Mr Maxwell for more than a year to sell his 60 per cent stake in the company, which Mr Smith said was separate from its London namesake.

"We are a separate legal entity, with separate boards, separate shareholdings and a separate capital structure," he said, although as of December 1990 he was listed as a director of LBIIM, the owners of which are L&B Holdings, a vigorous stock trading company, and L&B Trading, a third company in the UK group.

Mr Smith was the managing director of LBIIM in London from 1988 until March 1990, during which time LBIIM's fund management activities were boosted by large infusions of pension cash from Maxwell companies.

In contrast Maxwell-related pension funds amounted to less than 2 per cent of assets under management at LBII in New York, according to Mr Smith.

Mr Smith's career has been closely intertwined with that of Mr Larry Trachtenberg, a fellow American who has emerged as a leading figure in Mr Maxwell's withdrawal of £400m from the six pension schemes of the Maxwell public and private companies.

In 1985 the two men founded a City-based consultancy – Global Analysis Systems – which was later acquired by Mr Maxwell. In 1988 both men moved to LBIIM – Mr Smith as managing director and Mr Trachtenberg as an executive director specialising in finance and administration.

Mr Smith said he transferred to New York to concentrate on a global asset allocation model which was well received by US investors, but which had not been so successful in Britain. This led to his replacement by Mr Trachtenberg and Mr Mark Tapley, co-managing directors, in early 1990.

However, following growing tension during 1990 as Mr Tapley and Lord Donoughue felt they were not given enough access to administrative affairs, Mr Stuart Carson, a lawyer, and Mr Jonathan Ford, a former Coopers & Lybrand Deloitte accountant, were appointed as directors of LBIIM, to take over some of Mr Trachtenberg's roles in administration and regulation.

Mr Trachtenberg remained active in LBH, the trading company and in the "back offices" of the L&B companies.

Colin Beere

Larry Trachtenberg: a leading figure in the withdrawal of £400m from the pension funds

London & Bishopsgate companies have been shown to play a complex role in Mr Robert Maxwell's money-raising frenzy from the summer onwards, in which up to £600m was taken from the public Maxwell companies. They:

- managed 10-15 per cent of the Maxwell companies' pension funds, and also First Tokyo, a Japanese trust;
- lent out stocks from pension funds and trusts under their management to increase their income;
- from mid-1991 onwards, appear to have sold some of the security for pension funds' stock lending, leaving pension funds exposed;
- appear to have been one route through which some of the Mirror Group's cash balances were diverted to private Maxwell companies;
- borrowed money from Swiss Bank Corporation to take over First Tokyo, but then sold First Tokyo's shares, which were to be pledged to SBC as the security for their loan.

SBC's pressure for Mr Maxwell to deliver the security for the loan, and their decision to call in the Serious Fraud Office after his death was one of the triggers for the empire's collapse.

Bronwen Maddox
Robert Corzine

Kevin Maxwell plans to put his Chelsea home on the market

THE financial pressures affecting the personal lives of members of the Maxwell family as a result of the collapse of the Maxwell business empire surfaced yesterday with the announcement that Mr Kevin Maxwell is planning to sell his Chelsea home.

The move was confirmed by Mr Maxwell's wife, Pandora, to reporters outside the home in Jubilee Place, off the King's Road, before the High Court ordered his assets world-wide to be frozen.

The four-floor neo-Georgian house is estimated to be worth £900,000 to £1.7m. It is not yet on the market.

Mrs Maxwell, who has four children at school, said: "Obviously I am worried about the future. My husband doesn't have a job, so we are going to have to sell the house."

Meanwhile, agents acting for a Maxwell-owned company said yesterday that they had received approaches from a handful of "financially qualified" individuals interested in buying the late Mr Robert Maxwell's yacht, the Lady Ghislaine.

Camper & Nicholsons, the international yacht broker, said however there was as yet no firm offer for the yacht which it had valued at \$24m (£13.5m). Negotiations on any potential sale will be handled through Arthur Andersen, the accountancy firm, which is administrating Mr Maxwell's private companies.

The yacht broker's chief London representative, Mr Nicholas Baker, said last night: "We have been in touch with the administrators. It's dealing a bit in the dark at the moment but I should think it will take a bit of time."

He added: "The boat is a very public asset. People are focusing on it a lot because it is where he fell off and its an expensive toy."

The registered owner of Lady Ghislaine, from which Mr Maxwell fell to his death last month, is VIP Marine and Aviation, a subsidiary of Headington Group, a private Maxwell holding company.

The owners expressed an interest in selling the yacht ten days ago, prior to the Maxwell private empire being put into receivership but at a time of mounting financial crisis for the family-owned group.

Camper & Nicholson was last in contact with representatives of VIP Marine and Aviation at an office in Farnborough, Hampshire, last Friday, although the address registered at Companies House is P.O. Box 125, Heathrow Airport, Hounslow.

Last night a woman identified herself as an employee of the company after answering the phone at the office in Farnborough with which the agents had been dealing.

She said: "I am here on my own. I am just here to answer the telephone ... work for the company but I am not allowed to make any comment I am afraid."

VIP Marine and Aviation showed in its last published accounts assets of £9.5m in a motor yacht or yachts, only slightly depreciated, and a yacht berth costing £200,000.

The Lady Ghislaine has been berthed in Gibraltar since returning from the Canary Islands on December 2. The 55-metre, luxury craft was refitted by Mr Maxwell after being bought from the Middle East arms dealer, Mr Adnan Khashoggi, in 1986 for £12m.

A Gibraltar police official last night said he had no knowledge of a report that fraud squad detectives investigating the missing assets of the Maxwell empire were expected soon in the UK Crown colony.

Jimmy Burns

Labour calls for pension protection

LABOUR leaders last night renewed their demands for urgent action to protect company pension funds from misuse of the kind revealed by the operations of Mr Robert Maxwell at Mirror Group Newspapers.

Ministers made no immediate response, but Mr Bernard Weatherill, the speaker, indicated that he may authorise a short debate on the issue on Thursday.

Tory backbenchers made clear that they will seek to use the discussion to highlight Mr Maxwell's links with prominent members of the Labour party.

Mr John Cunningham, Labour's shadow leader of the Commons, maintained that it was irrelevant whether those involved with fraud or the "rip off" of investors, or the misuse of pension funds, had associations with any political party.

He said there had been plenty of City frauds and scandals involving supporters of the Conservative party, and described the Maxwell affair as "the latest in a long line of such scandals".

Mr Michael Meacher, shadow social security secretary, emphasised the "gaping hole" in the law revealed by what had happened to the MGN pension fund.

He deplored the absence of provisions requiring an independent chairman for company pension funds.

Mr Meacher claimed that the regulations which the government proposed to introduce in regard to self-investment were irrelevant to what had been revealed about the abuse of MGN pension funds.

BIH and AGB join the MBO moves

THE NUMBER of proposed management buy-outs from the Maxwell empire grew yesterday as British International Helicopters joined Mirror Group Newspapers in attempting to take control of its own destiny.

There were signs that AGB Research, the European television ratings and market research group, and Maxwell Business Communications, the business magazine division, might be planning a similar route.

Electra Investment Trust, the venture capital group had a meeting with the administrators yesterday to lodge formally their interest in backing an MBO at MGN led by Mr Richard Stott, editor of the Daily Mirror.

Electra is confident a bid can be financed without other partners once the full facts are known about the financial affairs of the popular newspaper group and its pension funds.

Electra is also interested, in principle, in backing other viable parts of the Maxwell empire. It believes that in many cases management talent can be liberated under a change of ownership.

Electra worked with Mr Stott on a failed buy-out at The People. It did not go ahead because of a mixture of the recession and Mr Robert Maxwell's changing his mind.

Mr Tiny Rowland's Lonrho has now formally told the administrators of its interest in bidding for MGN, the titles of which include the Daily and Sunday Mirror, The People, Sporting Life and Scottish Daily Record and Sunday Mail.

Pearson, owner of the Financial Times, is working with advisers researching MGN in preparation for a possible bid.

The staff of British International Helicopters, a private Maxwell company specialising in providing flights for the North Sea oil industry and to the Scilly Isles, yesterday put in a bid for the company.

Managers feared that if the company, which employs nearly 500 people, were bought by another helicopter company there would be considerable redundancies.

AGB is expected to try to negotiate a MBO although Mr Robert Maxwell had already sold many parts of the company including its American, Australian, publishing, exhibitions and marketing companies.

The remaining company has market research contracts throughout Europe, mainly in the television ratings field. AGB carries out the detailed analysis of the raw data on which the BBC and ITV ratings are calculated.

Raymond Snoddy

Autopsy report could trigger £20m insurance claim

MR ROBERT MAXWELL died after falling from his yacht into the water off Gran Canaria on November 5 according to the final autopsy report.

The conclusion could trigger a £20m insurance policy against accidental death.

Europa Press, the Spanish news agency, which said it had seen the autopsy report, reported that Mr Maxwell was not poisoned and not suffering ill-effects from any medication. Traces of an expectorant were found in his lungs but he is assumed to have taken a decongestant shortly before his death.

Mr Maxwell's family had already confirmed he was suffering from chronic fluid problems on his lungs and people who saw him the night he died have said he appeared to be having difficulty breathing.

The report, finalised after numerous tests on body tissue in a Madrid laboratory, said Mr Maxwell's death was caused by a number of circumstances – breathing difficulties, general ill-health and a heart seizure.

The report assumes he left his cabin on his yacht, the Lady Ghislaine, in order to ease his breathing discomfort and fell accidently.

This could either have been the result of a fainting fit or the motion of the vessel.

The pathologists do not venture an opinion regarding suspicions that Mr Maxwell, faced with apparently insurmountable business difficulties, might have committed suicide.

Death would have been brought about by a cardiac collapse brought on by a mixture of suffocation and drowning while struggling in the water, the report said. Tests in Madrid showed that Mr Maxwell had not been 'breathing water', supporting the probability that his heart collapsed as he struggled to stay afloat.

The pathologists are understood to believe that whatever befell Mr Maxwell while on board the Ghislaine could have been treated had he not fallen into the water.

The report suggested the body spent 12 hours in the water and attempted to clear up suspicions, spurred by the fact that his body was not wrinkled, that he had not been in the water long before being found. The pathologists said Mr Maxwell's obesity and the warm waters would have prevented wrinkling.

The report is in the hands of the investigating judge in Tenerife, who could close the case this week. The autopsy will be considered along with other evidence taken from the Ghislaine's crew and police. There is no obligation to make the findings public.

Peter Bruce

Lonrho remains outside contender

MR TINY Rowland, chairman of Lonrho, the international trading company, yesterday said he had thrown his hat in the ring for Mirror Group Newspapers. The problem facing his company is that the City does not think he has the money to throw in after his hat.

All Mr Rowland would add was that, in the event of a successful bid for the paper group, he did not anticipate any problems with the Monopolies and Mergers Commission.

Few analysts expect Mr Rowland to win control of MGN in a auction; Société Générale Strauss Turnbull (SGST), its joint broker, does not even expect Lonrho to get involved in an auction.

Since Lonrho will not want to have to pay cash for MGN, the last thing it wants is a tough takeover battle on its hands.

The 1990 report and accounts show that Lonrho had net debt of £936m and shareholders' funds of £1.38bn. The net debt has increased to £1.06bn and shareholders' funds to £1.4bn by the interim stage of the 1991 year.

Warburg Securities has estimated that the debt will have risen to more than £1.1bn by the year-end.

Therefore any Lonrho bid for MGN is more likely to come in the form of a share offer – less attractive than cash, which could come from the other contenders for MGN. These include Pearson, the publishing, banking and industrial group which owns the Financial Times.

"Given the choice between cash and swapping Maxwell paper for Lonrho paper, no one in their right mind is going to take the former," maintained one analyst.

Furthermore, Lonrho is not in the game of offering generous offers for businesses, as its recent tentative offer to swap £900m of Brent Walker's debt for convertible preference shares illustrated.

However, Mr Derek Strauss, chairman of SGST, said: "Tiny Rowland always gets his timing right and will only pay sensible prices. There are parts of Brent Walker, like the Brighton Marina, which could be a huge success if managed by Lonrho." The group is also interested in Brent Walker's William Hill betting shop chain and the brewery and pub side could fit in with its hotel business.

However, Lonrho's highly publicised pitch for MGN is revealing of its thinking and problems.

First, Lonrho needs to find a stream of UK earnings which is also cash-generative. The group is not making sufficient profits to offset against its advanced corporation tax (ACT). In the year to September 30 it had a contingent liability of £79m against ACT. With only a small profit presence in the UK, ACT recovery is becoming more of a problem. The weakness of the UK economy is not helping the manufacturing, motor distribution or hotel operations. This latter has had a difficult year. Although trading picked up in the second half, overall the leisure division is likely to have declined against last year.

Second, after the battering its share price received over the past week – plunging from 222p to 159p, before rallying 9p on Friday – Lonrho needs to make it clear that it is still a force in the UK corporate scene. Yesterday its shares fell another 1½p to close at 166½p. Indeed, so keen is it to ensure that shareholders should not confuse Rowland for Maxwell, the group decided to announce over the weekend that its chairman had more than £120m of personal cash on deposit, with another £155m of Lonrho's shares. But Mr Rowland will have to do more than throw his hat in the ring to prove he is serious about buying MGN.

Roland Rudd

Successful businessmen in happier times: Robert Maxwell and Tiny Rowland in 1984

TUESDAY DECEMBER 10 19

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UK COMPANY NEWS

£40m rise in Williams bid for Racal

By Roland Rudd

WILLIAMS HOLDINGS hostile bid for Racal Electronics was worth an extra £40m – making a total of £779m – yesterday as the industrial conglomerate's shares rose 19p to close at 306p.

And Williams' offer could continue to look more attractive to institutional investors if its share price continues to rise. Racal's shares yesterday fell 2½p to close at 48½p, while Williams' offer of three-for-20 shares plus 10p cash for every Racal share values them at 55.9p.

Nonetheless both sides claimed comfort from the movement in their share prices.

Racal said it proved the market did not think Williams would gain control since its share price had fallen, while Williams believes its shares rallied because it did not offer too much in the form of an extra cash element which would have needed to have been underwritten.

Williams's share price is expected to continue to rise since it is still a long way short of the 360p at which it stood at the time of its original bid two months ago.

Williams posted its final offer to shareholders on Sunday, so the bid closes on Sunday December 22.

The conglomerate has established a network of 16 regional collection centres round the UK where Racal shareholders will be able to hand in their forms to avoid delays in the Christmas post.

Both companies made complaints to the Takeover Panel yesterday about alleged misleading statements.

Racal was forced to issue a statement explaining that it had not put a price of £700m on its security business and that it had not given the press any forecast for 1992-1993.

However, in response to Williams' allegation that it had failed over the past three years to meet any available published stockbrokers' forecast of operating profits Racal issued a statement, with the Panel's approval, that it had meet a forecast of operating profits at its security business.

TGI boost from sale of property

WITH THE benefit of a property sale, TGI made a pre-tax profit of £671,000 in the half-year ended September 30, and cut borrowings by more than £3m, "so reducing gearing to more acceptable levels".

The group makes specialist audio products and Goodmans loudspeakers, having disposed of its factoring business which produced sales of £9.7m and a loss of £134,000 in 1989-90.

Manufacturing turnover this time was £16.8m (£16.6m) and its profit £220,000 (£84,000). The sale and leaseback of the property in Havant, Hampshire, realised £451,000.

Last time's loss of £50,000 was restated from a reported £1.16m profit following errors in the accounts of Audix.

Earnings per share came to 2p (losses 0.3p). Following the omission of last year's final dividend, the interim this time is also passed (2.2p).

Mr Norman Crocker, chairman, said the specialist audio side had satisfactory orders. All companies were profitably and expected better performances in the second half.

There were signs that the market for Goodmans was improving, and plans for Audix to break even this year were on target.

Reasonable economic conditions next year should see a significant lift in profitability.

German discounter to link up with Gateway in north-east

By Peggy Hollinger

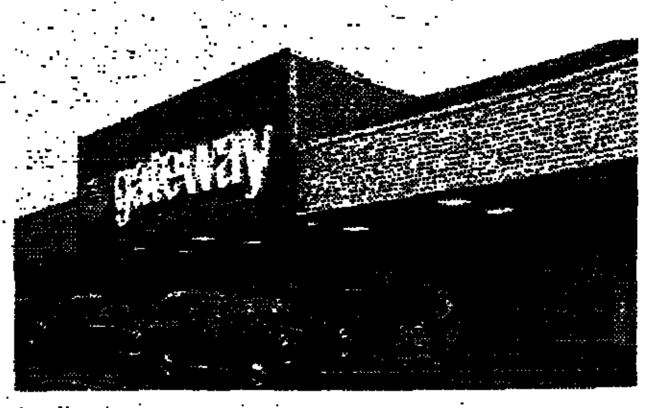
THE THREAT of foreign competition in the discount food retailing sector has intensified with the announcement that Aldi, the German discounter, and Gateway, the UK supermarket chain, are to link up in the north-east of England.

A spokesman for Gateway, which is owned by the Isosceles investment company, said yesterday that Aldi had agreed to rent space in the UK group's stores in Redcar, Durham and Wallsend. The deal will bring Aldi, which has 37 outlets in the UK, into the north-east for the first time.

Planning permission is being sought for the three stores, which are expected to open in the spring. Aldi will run its outlets on a completely separate basis, with different entrances.

The Gateway spokesman said the deal was "very much a pilot project ... If it is successful, the agreement might be extended."

Analysts said the deal appeared to be a desperate move by the heavily-indebted Gateway to support its position in an increasingly difficult market. Gateway has lagged behind other food retailers such as J Sainsbury and Tesco, with just 7.6 per cent of the pure grocery market.



However, the actual benefits of the deal were called into question. "It would appear akin to Iceland, which for years said it could trade profitably next to the major superstores – until last autumn when things began to look more difficult," said one analyst.

Gateway, which would offer fresh produce and ranges complementary to those of Aldi, said it hoped to benefit from some of the custom drawn by the German discounter. The three stores included in the deal had not been performing to expectations.

The spokesman said that the move did not present a threat to Gateway's own recently-launched discounting chain, Food Giant. "Those stores need at least 30,000 square feet to work," he said. The three stores in the north-east represented a total of 60,000 square feet, of which Aldi will take about one-third.

Losses rise at Aberdeen Steak

Aberdeen Steak Houses, the restaurant chain, has again passed its interim dividend after an increase in half year losses from £475,000 to £625,000 before tax.

The effects of the recession and the drop in tourism during the Gulf War combined to push turnover for the six months to June 30 down from £7.45m to £5.72m, a decrease of 23 per cent.

The ongoing branches made an operating loss of £71,000 before provisions and depreciation against a profit of £906,000 last time.

Losses per share came out at 3p (3.7p) after taxation of £270,000 (£33,000).

Lasmo responds to Ultramar

By Michiyo Nakamoto

LASMO, the independent oil group making a hostile bid for rival Ultramar, said that, should its bid succeed, it would consider floating Ultramar's downstream assets as an alternative to seeking a purchaser for them.

Lasmo was responding to doubts raised over the weekend by Ultramar about its disposal plans, which it has outlined as a way of reducing the gearing of the combined group.

The target company claimed in a circular that the depressed state of the downstream market and expected stringent environmental regulations in California meant that it was extremely difficult for refineries to be sold at reasonable prices.

Mr Chris Greentree, Lasmo chairman, said that the group was confident of being able to sell Ultramar's North American refineries but that it would also consider floating them either on the New York or Toronto stock exchange, or any combination of strategies.

"We aim to get the best value for shareholders," Mr Greentree said, "If that means we have to keep them for a while, we'll do that." The combined group would be financially strong enough to do that, he stressed.

Lasmo also questioned Ultramar's claim that the gearing of the merged group would be higher than the 65 per cent it estimates, if its offer were to be fully accepted. "We know what our gearing is and unless Ultramar's borrowings have increased significantly without our knowledge, we know what the gearing of the combined group should be," it said.

Lasmo has not made a profits forecast but it said it was comfortable with what City analysts were generally forecasting, which was about £72m pre-tax for the year to December.

HunterPrint chops losses by two thirds to £6.32m

By Peggy Hollinger

JUST 10 months after a £13.6m rescue package and the arrival of new management, HunterPrint Group, the UK printing concern, has cut a swathe through its pre-tax losses which threatened to swamp the group last year.

Sir Ian MacGregor, the former chairman of British Steel who replaced Mr Mike Hunter as chairman last year, yesterday announced a deficit of £6.32m for the year to September 29, compared with £18.3m last time. Sir Ian said the group was trading profitably on a monthly basis, although it could not yet recommend a dividend. The last dividend was paid in 1989.

Mr Tony Caplin, chief executive, said the group aimed to return a profit in the current financial year. "We are a zillion miles from plateauing out," he said.

Gearing had not changed on the previous year's 50 per cent, with debt of about £10m. After leasing obligations of about £14m, gearing rises to some 140 per cent. However, Mr Caplin, stressed that HunterPrint remained cash positive.

The group had reported a profit in the final quarter and turnover rose by 66 per cent on a like-for-like basis in the same period. During the year, however, sales fell from £62.1m to £49.6m, partly reflecting the sale of two businesses.

The new management, which arrived in tandem with a £13.6m share issue at 10p in December last year, had achieved significant progress on its main goals of restoring customer confidence, rebuilding sales and margins, and cutting costs, said Mr Caplin.

The group had been reorganised into three core activities – magazines and catalogues, special products and business forms – and had increased its share of a declining market.

Since July, the group had also been increasing its margins through the selling price and on the factory floor, Mr Caplin said, although they still needed improvement.

Some 130 jobs had been cut during the year, leaving a 647-strong workforce. No further job losses or business disposals were planned, Mr Caplin said.

Surplus provisions were added back in to the profit and loss account as an exceptional credit of £467,000 (debit £2.75m) and an extraordinary profit of £1.46m (loss £7.22m). The loss per share was sharply reduced, from 90.9p to 4.2p. Shares, which have fallen from 190p two years ago, held steady to close at 17p.

Sir Ian stressed that the full extent of the group's improvement had not been reflected in the results, due to a reduction in share capital in April to cut the deficit on reserves, and the refinancing in November last year.

Stormgard requests share suspension

By Michiyo Nakamoto

STORMGARD, the heavily borrowed office supplies company, has requested to have its stock exchange listing temporarily suspended while its financial situation is clarified.

The suspension at 5p follows a dismal trading performance in the year to end March which saw pre-tax profits of £2.11m fall to a loss of £3.19m on turnover down to £45.5m (£53.4m).

The group's accounts for the year to March were qualified by its auditors who were uncertain about the prospects for the group as a going concern.

They showed extraordinary costs of £7.78m (£1.39m) related to losses on the sale of subsidiaries. Borrowings were £12.2m against shareholders' funds of £1.7m.

In August the company held a shareholders' meeting as obliged by section 142 of the companies act to discuss measures to be taken in view of the fact that the value of its assets had fallen below half the value of called-up share capital.

Stormgard received a bid approach in May this year but discussions which might have led to an offer for the company were terminated by the following month.

IMI boosts technology with £15m Redwood buy

By Paul Cheeseright, Midlands Correspondent

IMI, the international engineering group based in Birmingham, yesterday moved to strengthen its information technology business with the acquisition of Redwood International for £15m, with additional payments later depending on performance.

Redwood, which in the year to last March made pre-tax profits of £2.1m on a turnover of £23m, has developed the UNIPLEX software used on UNIX-based office automation systems.

Based in Hemel Hempstead, it employs 260 people worldwide.

Mr Roy Amos, an executive director, signalled further IMI expansion into information technology, a sector which hitherto has made a fractional contribution to the group's £1.08bn turnover. "We could be acquiring more companies," he said.

Redwood's arrival in the group, alongside two existing computer companies, IMI Computing and Brook Street Computers, means that IMI's information technology activities will have a combined turnover of up to £60m a year.

IMI Computing is basically a service company, but Brook Street Computers has its own UNITY software, also for UNIX systems, and has distributed Redwood's UNIPLEX.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baker Harris ....int	1.5	Jan 31	1	-	2.5
Cooper Clarke ....int	nil	-	0.5	-	0.5
Marling Inds ....int	0.3	Jan 20	1.3	-	4.2
Reliance Secur ....int	2.2	Jan 31	2.2	-	8.4
Rolfe & Nolan ....int	2.3	Jan 23	2.1	-	5.6
Scot & Newcastle.....int	5.51	Feb 14	5.1	-	15
TGI ....int	nil	-	2.2	-	2.2
Whitecroft ....int	3.3†	Jan 27	4.6	-	10

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

UK COMPANY NEWS

Growing speculation on future of luxury car maker

Vickers outlines 'options' for R-R

By Kevin Done, Motor Industry Correspondent

VICKERS, the UK engineering group, was "reviewing many options" for its loss-making Rolls-Royce Motor Cars subsidiary, the company said yesterday.

In a statement prompted by mounting speculation about the future ownership of the UK luxury car maker, it said that "as a result of the very much lower sales volume, Vickers is again reviewing the many options for its car business".

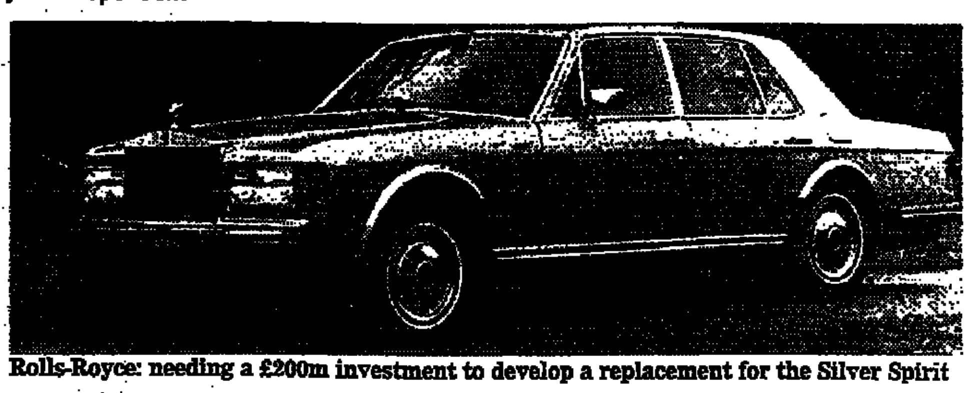
It said that speculation "about the possible sale of part or all" of the Rolls-Royce and Bentley car operation had "attracted considerable interest from a number of international companies".

It said, however, that "currently" it was not engaged in discussion for the "disposal" of Rolls-Royce Motor Cars.

It is understood that Vickers is considering a wide range of options to support the Rolls-Royce business, including technology links with other car makers, the sale of part or all of the equity, or support in distribution.

BMW, the German manufacturer of executive cars, is among the companies with which it has held preliminary discussions.

Rolls-Royce Motor Cars already has links with several other leading world car makers and automotive components suppliers, and purchases the transmissions for its present car range from General Motors of the US.



Rolls-Royce: needing a £200m investment to develop a replacement for the Silver Spirit

Earlier technology discussions have been held with both Porsche, the German sports car and automotive engineering group, on engine development, and with Citroën, part of the Peugeot group of France, on suspension levelling systems.

The company faces a considerable challenge in the first half of the 1990s with the development of a replacement car range for its present Silver Spirit. This could involve an investment of about £200m.

Mr Peter Ward, Rolls-Royce Motor Cars chief executive, said earlier this year that the company would maintain its 15 to 17-year model life cycle, more than double the norm.

After many years as a consistent source of profits, Rolls-Royce Motor Cars fell into heavy loss this year in the face of a steep decline in sales in its two most important markets, the US and the UK.

It is expected to run up losses of about £60m this year – derived equally from trading and from exceptional restructuring charges – against profits of about £30m last year.

The company has had to move quickly to restructure its manufacturing operations and to reduce costs in line with sales that have more than halved.

The company has reduced its UK workforce by more than a third this year to just over 3,100 and suffered exceptional costs of £24.3m in the first half. It cut six production weeks in the first 10 months of the year and has been working a three-day week at its Crewe plant since mid-August.

The Vickers share price jumped by 15p to 178p prior to the statement, but fell back to 166p, a gain of 3p, when Vickers appeared to rule out the prospect of an early sale.

Any prospective buyer of Rolls-Royce Motor Cars would have to negotiate with Rolls-Royce, the aero-engine maker, an entirely separate company, which owns the Rolls-Royce brand name.

In Rolls-Royce Motor Cars' original licensing deal for the use of the name for car manufacturing, it was stated that the aero-engine maker could withdraw permission for the name if the business was sold to a foreign owner.

Boalloy loss hits Marling at midway

MARLING INDUSTRIES, the diversified group, saw its pre-tax profit plunge from £2.85m to £593,000 in the half year ended September 30. The interim dividend is being cut from 1.3p to 0.3p.

Mr Peter Held, chairman, said the culprit of the poor result was Boalloy, the commercial vehicle body manufacturer, which went into loss.

The narrow fabrics and webbing businesses in the UK achieved creditable results despite stagnant demand.

Mr Held said the 50 per cent associate, Airbags International, had obtained its first commitment worth £4m for its one-piece automotive airbag.

That represented an important step towards establishing a significant new business opportunity and a first profit contribution was expected in the latter part of 1992-93.

The need to conserve resources now that Airbags moved into production was one of the reasons for the reduced dividend, which will cost £93,000 (£401,000).

The profit was struck after £333,000 (£532,000) surplus on sale of technology and £151,000 redundancy and reorganisation costs at Boalloy. After tax, including £624,000 (£714,000) overseas, losses per share were 1.15p (earnings 4.81p).

All-round decline behind Whitecroft's 38% drop to £2.2m

By Michiyo Nakamoto

WHITECROFT, the mini-conglomerate involved in building products, lighting and textiles, saw interim pre-tax profits drop by 38 per cent, from £3.58m to £2.23m.

The decline, in the six months to September 30, followed a sharp fall in profitability last year as the group faced difficulty in property development and housebuilding. It decided earlier this year to withdraw from commercial property development and sell its housebuilding operations.

"The important point to stress is that there have been a lot of changes at Whitecroft," said Mr Peter Goold, chairman and chief executive. In addition to discontinuing the two businesses, the group was rationalising operations and restructuring certain divisions.

Mr Goold, who had publicly stated he intended to appoint someone to look after the operational management of the group, said the plan was still alive although the appointment would not necessarily be that of a chief executive.

Overall turnover for the group fell to £63.1m (£67.14m) and operating profits more than halved to £2.27m (£4.62m).

Debt had been reduced to £37m or about 75 per cent of shareholders' funds, from 93 per cent at the year end.

The disappointing results came largely as a result of difficult trading for lighting and building products.

Lighting was affected by the decline in new commercial building activity which depressed volumes and margins. Its contribution to operating profits fell to £2.2m (£3.17m) and cost cutting measures had been introduced.

Building products division, which manufactures a variety of products from high performance timber doors to conservatories, incurred a loss of £103,000 (profit £848,000).

Earlier this year, the group acquired the 50 per cent it did not own of Edward Hall, a bleached cotton producer, to become part of its medical cotton fibre division, which made £830,000 (£998,000).

The textiles division, which is being rationalised and restructured, saw profits fall to £228,000 (£529,000).

Earnings per share declined to 3.25p (6.77p). The interim dividend is cut to 3.3p (4.6p), but the total is expected to be held at 10p on the increased capital.

Venture Plant shows £5m loss

VENTURE PLANT Group, the USM-quoted plant hire business, yesterday announced a sharp rise in full year losses, a cash-raising proposal and a capital reconstruction.

Hit hard by the recession, losses for the 12 months to end-September surged from £1.15m to £5.15m pre-tax after taking account of exceptional provisions of £2.05m (£135,000).

The exceptionals included redundancy and relocation costs together with losses on the disposal of assets.

Turnover declined to £6.34m (£9.3m) and generated gross profits of £1.13m (£4.06m). Losses per share amounted to 25.7p (5p).

In order to ease bank borrowings and underpin support from its bankers while the rationalisation programme continues Venture is raising £291,000 net via a placing and open offer of 15.55m new ordinary 2p shares at 2½p each.

The shares have been conditionally placed by Rea Brothers with institutions but there is a clawback for existing shareholders on a 1-for-1 basis.

The existing 5p shares are to be sub-divided and converted into one new 2p share and one 3p deferred share.

NEWS DIGEST

Baker Harris ahead 38% to £627,000

BAKER HARRIS Saunders Group, the property adviser, reported interim pre-tax profits 38 per cent ahead at £627,000, against £456,000. The result was achieved on turnover of £4.69m, an increase of 33 per cent on the comparable £3.53m.

The results for the six months to October 31 included a full half-year contribution from Baker Harris CPC, the US business. The professional services division was "extremely busy". However, the low level of market activity affected the markets division.

Earnings per share were helped by the buy back of shares in May and came out at 3p (2.1p). The interim dividend has been raised 0.5p to 1.5p.

Electronics restrict Reliance Security

Continued, and heavier, losses in the electronic security division held back Reliance Security Group at the interim stage, and led to a reduction in pre-tax profit from £1.28m to £1.01m.

The core business of contract security management and manpower services rose 19 per cent to £1.78m. Losses in the recently established electronic security side came to £772,000.

The results announced covered the 27 weeks to November 1 (26 weeks). Turnover expanded to £31.5m (£26.2m) while operating surplus dropped to £1.17m (£1.37m). Earnings per share worked through at 6.1p (7.6p) and the interim dividend is maintained at 2.2p.

7% increase for Rolfe & Nolan

Rolfe & Nolan Computer Services, the futures and options bureau and software specialist, increased its pre-tax profit by 7 per cent, from £661,000 to £704,000, in the half year ended August 31 1991.

Turnover expanded 10 per cent to £3.28m (£2.97m) and produced a trading profit of £953,000 (£876,000). With earnings per share at 8.5p (8p) the interim dividend is raised to 2.3p (2.1p).

Mr Tim Hearley, chairman, noted a lengthening of the ordering cycle because of the recession. He warned that any delays, particularly in projected licence sales, could lead to second half profits below last year's £785,000.

He said the group intended to expand in a global context, and negotiations were in hand with an overseas company which could enhance prospects for increased licence and bureau sales.

Lower interest lifts Unit to £122,000

Lower interest charges helped Unit Group, the USM-quoted timber pallet and precision engineering components manufacturer, lift pre-tax profits in the six months to September 30, in spite of reduced operating profits.

Taxable profits rose from just £1,000 to £122,000 after making £413,000 (£457,000) at the operating level and having £291,000 (£456,000) deducted for interest. In the year to March 31, the group suffered pre-tax losses of £236,000 on turnover of £28.6m.

In the period under review, turnover declined to £11.3m (£14.8m). The pallet division had lower sales of £10.6m (£13.7m) and higher profits at £594,000 (£576,000), while the engineering side saw its losses grow to £181,000 (£119,000) on turnover down at £769,000 (£1.07m).

The board said that it intended to withdraw from its engineering activities – Paramount Precision Engineering was closed recently and the future of Green Pennant Engineering is being considered.

Earnings came to 1.4p (nil) and the directors said they intended to pay a dividend for the 12 months.

Price of gold climbs to highest for six months

By Kenneth Gooding, Mining Correspondent

GOLD'S PRICE reached the highest level for six months at both the morning and afternoon price-fixing sessions in London yesterday against a background of brisk buying and forecasts by a number of analysts that the precious metal will make further gains.

Selling by producers, which in the past two years has often checked price surges, was not seen on a significant scale yesterday, dealers suggested, even though gold moved through the psychologically-important $370 a troy ounce level.

Gold was fixed at $370.70 an ounce in the afternoon and closed in London at that price, up $2.55 from Friday's close.

The metal is likely to average $400 an ounce in 1992 compared with $365 this year, according to market reviews by two stockbroking organisations: Credit Lyonnais Laing; and Carr Kitcat & Aitken.

Mr Roger Chaplin of Credit Lyonnais, points out that, after adjusting for inflation, gold's price is close to a 14-year low in 1991 dollar terms, while against a basket of international currencies gold is at its lowest since 1976.

At Carr Kitcat, analysts Mr Graham Roberts and Mr Wiktor Bielski, suggest there is growing evidence that producers increasingly are reluctant to sell when the price rises for fear of damaging any potential recovery. Also, producers are employing increasingly sophisticated hedging strategies today, using options and spot deferred forward sales.

An insight into one company's policy was given yesterday by Mr Robert Calman, chairman of Echo Bay Mines, one of the top six North American producers, during a presentation in London. He said Echo Bay had repaid gold loans early when the price fell to between $360 and $365 an ounce but would start "modest" forward sales again when the price was between $375 and $380.

Among the analysts who are more cautious about the gold price potential, Mr William O'Neill, at the Merrill Lynch financial services group in New York, suggests it will go no higher than $410 an ounce next year because there is still no sign of a return of investment demand in North America and Europe. He says: "Banks are still not recommending gold as a major part of client portfolios and without that prospects (for a steep price rise) are limited".

Mexican oil reserves 'half official estimate'

MEXICO, ONE of the world's leading oil exporters, will soon be importing large amounts of crude, according to a report that says the nation's proven oil reserves stand at less than half the official estimate, Reuter reports from Mexico City.

The report, published in yesterday's edition of the weekly news magazine Proceso, quoted Mr Francisco Inguanzo, a former deputy director of the state oil company Petroleos Mexicanos (Pemex), as saying that Mexico had lied about its oil reserves consistently since 1977 in a bid to shore up its financial position.

It said that after carrying out an eight-month study commissioned by Mr Francisco Rojas, Pemex's current director, in 1988 Mr Inguanzo put Mexico's reserves at 33.065bn barrels, an amount he estimated to have dwindled to 29.879bn barrels over the past three years.

According to the official estimate, Mexico's proven oil reserves stood at 65.5bn barrels as of last week.

Ms. Vània Munoz, Pemex spokeswoman, said Mr Inguanzo's estimate reflected his "very respectable" opinion but did not coincide with official reserve statistics. She declined further comment.

Mr Inguanzo was quoted as saying that the discrepancy between his figure and the officially quoted reserve level resulted, at least in part, from over-optimism by Pemex about the potential output of the country's leading oil fields.

Excessive drilling had already caused a loss of pressure in some of the fields and that had greatly reduced their potential productivity, the report said.

Proceso quotes Mr Inguanzo as saying Mexico's proven reserve figures had been deliberately inflated since 1977, however, as the country recklessly boosted its exports to earn sorely needed foreign exchange.

Mexico maintained oil exports of 1.3m barrels a day in 1991 but Mr Inguanzo predicted that the country – faced with a surge in domestic demand – would be forced to start importing crude by 1998.

Sharp rise forecast in world wheat production

By David Blackwell

WORLD WHEAT production will rise sharply to 575m tonnes in 1992-93, according to a preliminary forecast from the International Wheat Council.

This compares with the latest forecast of 548m tonnes for 1991-92 given in the council's latest grain market report.

The IWC does not expect any outcome from the talks on the General Agreement on Tariffs and Trade (Gatt) to affect the 1992-93 harvest. It is also assuming normal weather in the main producing countries.

Wheat consumption for 1992-93 is estimated at 570m tonnes, compared with an expected 565m tonnes this year. This will leave world wheat stocks at the end of 1992-93 higher at 140m tonnes, compared with this year's 133m tonnes.

The former Soviet Union is now expected to import 21m tonnes of wheat in 1991-92 compared with an earlier forecast of 19m tonnes and last year's 14.4m tonnes.

The IWC refers to "the unhappy position where the major importer [the former Soviet Union] is unable to finance its grain requirements without continued external assistance".

While prices had recovered recently as the former Soviet Union had been so successful in getting credit from exporting countries, purely commercial trade in wheat appeared to be "almost anachronistic", Mr Bill de Maria of the IWC said yesterday. A quoted price of $150 a tonne would lead to a trade price $40 below that level.

Although most importing countries had benefited from "the two-tier pricing system", Mr de Maria thought it had created a "credibility gap" for developing countries. They had got used to paying $80 a tonne and would take a lot of convincing that they should have been paying $120 a tonne.

Guyana's $50m logging venture

SOUTH KOREAN and Malaysian investors are putting US$50m into a joint logging and sawmill venture in Guyana, and have leased 4.1m acres of forest from the Guyana government, writes Canute James in Kingston, Jamaica.

The investors, Sunkyong of South Korea, and Samling of Malaysia, have created a new company, Barama, which will run the operation in the North West and Mazaruni districts, close to the Venezuelan border.

Madigan promises tough line on farm trade

Nancy Dunne introduces the genial but determined new US agriculture secretary

THE LIFT operator at the US Department of Agriculture was clearly not over-awed at the appearance of her new boss. "You guys come and go," she told Mr Edward Madigan, the latest in a line of 24 US agriculture secretaries.

She has carried seven secretaries up and down in her 16 years at the department. Like the other career employees, she has watched one after another come in to office determined to control the interminable crises in the industry: droughts one year, surpluses the next, farm auctions, bankruptcies, inflation, recession, unfavourable exchange rates.

This secretary, a large genial former Illinois congressman, has polished the art of unpretentiousness to a fine sheen. Although he has given up chewing tobacco, he still gnaws on carrots. He jogs, lifts weights, reads and watches Cable News Network.

His homespun, humorous demeanour belies his promise to Congress to be "mean as a junkyard dog" in his Uruguay Round negotiations. On the Capital Hill, where he was the top republican on the House Agriculture Committee, he was a highly respected legislative negotiator. He was reputed to know more than anyone else about the US farm programme, because he helped write so much of it.

Edward Madigan: "Mean as a junkyard dog"

Mr Madigan will need all his skills as he wrestles with a challenge that exhausted his three predecessors: convincing the European Community to ratchet down its agriculture subsidies. At the same time he has Congress and farm lobbyists breathing down his neck, threatening to reject a deal they do not like and pushing for contradictory outcomes.

This weekend, when he met in Washington with for the most recent make-or-break meeting with Mr Ray MacSharry, the EC agriculture commissioner, Mr Madigan had in his hand a letter from the National Corn Growers Association telling him that the proposed cut of 35 per cent over five or six years is "only marginally better than a paltry EC proposal that prompted our negotiators to walk away from the bargaining table last December".

On the other hand, after US officials have been for years promising to put all the American farm programme "on the bargaining table", 61 of the 100 US senators wrote him to warn that he had better not give away the US right to impose import quotas on cotton, dairy, peanut and sugar farmers – precisely what is implicitly being negotiated away.

The weekend talks were taking place at undisclosed times in an unknown location, secluded from the interference of lobbyists and journalists. In the days before the talks, US officials had been hopeful, saying Mr MacSharry has been more "flexible" of late. However, Mr Giovanni Goria, the Italian agriculture minister, who saw Mr Madigan on Thursday was plunged into gloom and reporting "a certain rigidity" in the US positions.

Mr Madigan may be a funny man but his former colleagues say he can also be very tough. He was a bit of both last March when the Japanese government threatened to arrest US exhibitors for displaying American rice in Tokyo.

This had been a "serious affront", the Secretary wrote Mr Motoji Kondo, the minister of agriculture. "Two of my daughters drive Japanese cars. All of our homes have Japanese-made televisions, cameras, radios and even telephones made in your country.

"There are 2m farmers in America. Should they band together against buying Japanese products? Or, are we united in our goal of accomplishing liberalised trade?"

Secretary Madigan loves to collect and tinker with old cars, so it was not surprising this week when he described the progress in the round in automotive terms. For five years the round's motor had been "alternately racing, sputtering and idling" but not moving. "Now, at last, the clutch is out and the gears are engaged."

The high cost of farming by the rule book

Only larger operators can hope to keep up with the ever-growing list of regulations

FARMER'S VIEWPOINT

By David Richardson

WHEN THE siren sounds it seems likely to wake the dead. It is attached to the gable-end of one of our pig buildings and if it goes off the whole district will know that one or more of the ventilating fans in our range of pig maternity, weaner or finishing pens is faulty.

Since it was installed earlier this year it has never sounded in anger, although during the regular tests which the regulations demand a few eyebrows have been raised and eardrums vibrated at the horrendous noise. The rules say that the pig personnel must be trained and practised in the recognition of the siren and know what to do to correct the situation and that the system should be tested once a week.

In well over 30 years of pig-keeping and living cheek-by-jowl (well, almost) with the animals, I can honestly say that we have never remained unaware when there has been a problem in the pig buildings. After all, the farmhouse is on the same electrical supply and if pigs are unhappy the sound from the sties soon changes. In any case, when you have been so close to pigs for so many years you develop a sixth sense about such things.

Moreover, the ventilating fans in some of our pig-houses are there only to assist natural ventilation. Even if the fans did fail for a short period before the stand-by generator automatically switched itself on, therefore, the pigs would suffer little discomfort.

But the regulations say that a warning system must be installed by the end of this year so we have duly put one in at a cost of some £1,500.

It is just the latest piece of legislation with which we have had to comply, adding to a list that is by no means complete. Indeed, the pace of the introduction of new regulations on the way farmers conduct their businesses is increasing rather than decreasing.

The other day I picked up a leaflet from the Health and Safety Executive that gave general guidance on safety at work and indicated a list of publications I should read in order to be able to comply with the laws concerned with the subject. Altogether, there were 63 books, varying in price from £2 to £14. It was not only the cost that daunted me but also finding the time to read and digest them.

That was not the end of the matter, however, because there were a further 16 leaflets relating specifically to agriculture. These included, for instance, details of what the law required me to do to comply with regulations regarding Control of Substances Hazardous to Health, Electricity at Work Regulations and the Food Safety Act, all of which we have attempted to obey on our farm.

As any industrial employer will know, these rules involve assessment of the possible risks involved at the workplace and the publication of measures to deal with or eliminate them. To be honest it is all a matter of common sense, but the law says it is necessary to spell-out such risks to employees and to erect expensive signs drawing attention to them.

In some cases, as with the electricity regulations, it is required that professionals are employed to provide certificates that all is as it should be.

Unfortunately, it is not possible to legislate against carelessness or stupidity, which are the causes of most industrial accidents, but I do accept that an atmosphere in which safety is considered carefully can be beneficial. Moreover, it is impossible to sustain an argument that workers should be asked to operate in unsafe conditions or, for that matter, that livestock should suffer possible hardship for the sake of an alarm system.

Furthermore, it would be irresponsible in the extreme to produce food in such a way as to cause danger to health.

The difficulty on farms, however, is that the same rules apply as in a factory employing several thousand workers. On the farm, the total workforce might consist of the farmer and perhaps one or two other people, all of whom, incidentally, probably live on the job.

There is an obvious shortage of management time because these days the boss probably has to drive his own tractor. Enthusiasm to deal with such matters, which add to costs and are perceived to contribute nothing to income, is, somewhat predictably, lacking in an industry in which profits have declined in real terms over the last decade by more than 50 per cent.

Indeed, the cost of complying with the mass of rules now on the statute book can be prohibitive.

I know of several livestock farmers, for instance, who have sold out of their enterprise rather than try to fulfil the ever-increasing list of regulations on, say, the control of animal wastes. Even with relatively small numbers of animals, this can cost tens of thousands of pounds and the limited income generated by small farms cannot accommodate such expense.

Indeed, it is ironic that while the European Commission and UK public opinion appear to have an affection for small farmers and to be prepared to continue to subsidise their future, while denying similar treatment to bigger holdings, only larger efficient farms can hope to keep up with the ever-expanding catalogue of rules.

All of which begs the question as to whether the mass of safety, health, environmental, animal welfare and food regulations, most of which should also apply already across the European Community, are actually being observed and policed in other member states as they are in the UK. The clear indication is that in many cases they are not and that this amounts to yet another series of potholes in the so-called "level playing field" so ardently espoused by those who seek to reform the community's common agricultural policy, or for that matter, to achieve an agreement in the Uruguay Round of the General Agreement on Tariffs and Trade.

Let us have free unfettered trade in food if we must. But let us also, for our safety and our conscience sake, at least ensure that it is produced to the same hygiene, welfare and environmental standards that are insisted on in the UK. I would hazard a guess that if that rule were strictly adhered to the present flood of food imports into Britain would be reduced to a trickle.

WORLD COMMODITIES PRICES

MARKET REPORT

London cocoa prices closed easier, with the market moving aimlessly in the absence of fresh physical news. Dealers did not expect this week's talks at the International Cocoa Organisation to produce any market moving news. London robusta coffee prices closed easier and New York arabicas were easier at midday in the wake of last week's International Coffee Organisation talks which ended with little more than a commitment to meet again in February. On the LME three-month zinc prices eased while technical tightness left cash metal ahead. The premium for cash metal widened to $49 a tonne from $38 on Friday. LME warehouse stocks, already at record highs, are expected to rise further today. Aluminium stocks are also expected to rise strongly again. Prices were steady in dull trading yesterday. Three-month copper was looking to test support at $2,200 a tonne. Dealers said this level, the floor of a $50 technical range, is likely to come under threat, but the market may be oversold. LME stocks are forecast to rise by some 5,000 tonnes. Technical tightness continues to ease with cash at a discount of £15 compared with Friday's £7 a tonne. Technical tightness also continued to ease in the nickel market.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.10-5.20q	-.975
Brent Blend (dated)	$18.10-8.20	-.925
Brent Blend (Jan)	$18.20-8.30	-.925
W.T.I. (1 pm est)	$19.40-9.45q	-.925
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$203-205	-8
Gas Oil	$172-174	-7.5
Heavy Fuel Oil	$72-73	-2
Naphtha	$184-186	-3.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$370.70	+2.55
Silver (per troy oz)♣	407.0c	-1.0
Platinum (per troy oz)	$374.0	+3.5
Palladium (per troy oz)	$85.5	+0.75
Copper (US Producer)	103.5c	-5.5
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.80r	+0.03
Tin (New York)	254.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	110.29p	+3.42*
Sheep (dead weight)†	150.32p	-6.92*
Pigs (live weight)†	88.77p	+4.70
London daily sugar (raw)	$231.8x	-4.6
London daily sugar (white)	$275.5x	-2.5
Tate and Lyle export price	£236.0	-4.0
Barley (English feed)	£120.5	+0.25
Maize (US No. 3 yellow)	£146	
Wheat (US Dark Northern)	£101	
Rubber (Jan)♥	50.25p	
Rubber (Feb)♥	50.50p	
Rubber (KL RSS No 1 Jan)	218.5m	-1.0
Coconut oil (Philippines)§	$595z	-2.5
Palm Oil (Malaysian)§	$372t	
Copra (Philippines)§	$392.5	
Soyabeans (US)	£145.5	-1.5
Cotton "A" index	61.55c	
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Feb/Mar u-Feb/Apr x-Nov/Dec y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	197.80	194.20	197.80 192.00
May	197.80	192.20	192.00 191.20
Aug	200.00	194.60	199.00 192.00
Dec	200.00	193.60	187.00
Mar	205.00	198.60	187.00
White	**Close**	**Previous**	**High/Low**
Mar	279.5	276.0	279.5 275.5
May	280.5	278.0	278.5 278.0
Aug	284.7	280.5	282.5 280.0
Oct	286.7	281.5	284.8 260.0

Turnover: Raw 369 (453)lots of 50 tonnes. White 551 (604)

Paris- White (FFr per tonne): Mar 1528.30, May 1542.68

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jan	18.13	20.06	18.85 18.10
Feb	18.16	20.05	18.80 18.14
Mar	18.14	19.98	18.68 18.12
Apr	18.21	19.85	18.56 18.18
May	18.20	19.87	18.50 18.20
Jun	18.10	19.86	18.45 18.10
IPE Index	19.13	19.41	

Turnover 17550 (20362)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Dec	172.50	180.50	178.00 172.50
Jan	175.75	182.50	180.50 175.25
Feb	175.25	181.00	180.00 174.50
Mar	172.50	178.00	178.75 172.25
Apr	170.00	173.00	173.25 169.25
May	169.25	171.25	170.75 168.25
Jun	170.50	173.50	170.50

Turnover 22257 (17069) lots of 100 tonnes

JUTE

There were 17,277 packages for the day, reports the Tea Brokers' Association. A good general demand prevailed. Landed better liquoring Assams sold readily at about last rates while medium descriptions proved a strong feature and were fully firm to dearer. Plainer sorts came to a more selective and easier market. Prices for brighter east Africans tended lower. Mediums and plainer teas remained firm. The few quality ceylons were readily absorbed but others proved easier. The highest price realised this week was 178p for an Assam pf. Quotations: quality 170p, medium 130p, low medium 80p.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	731	734	735 729
Mar	767	774	773 766
May	791	796	795 790
Jul	815	820	819 814
Sep	837	842	842 837
Dec	865	870	870 865
Jul	926	932	926
Sep	942	947	943 941

Turnover: 2134 (3522) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Dec.6 972.23 (972.50) 10 day average for Dec.9 951.84 (948.96)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Jan	1062	1070	1050 1042
Mar	1024	1032	1022 1010
May	1010	1009	1004 1002
Jul	1012	1010	1012 1008
Sep	1022	1017	1020 1005
Nov	1035	1040	1035 1033

Turnover:863 (1610) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Dec.6 : Comp. daily 84.37 (64.94) 15 day average 65.44 (65.41)

Sterling close: January £599 , March £ 582

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	117.0	116.0	116.0
Apr	117.0	118.0	117.5 116.5

Turnover 128 (93) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	-	126.50	

Turnover 0 (16) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Dec	1579	1590	1579 1575
Jan	1639	1652	1650 1635
Feb	1640		1652 1650
Apr	1644	1663	1645
Jul	1435	1455	1430
BFI	1555	1561	1555

Turnover 158 (367)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Jan	124.30	124.10	124.50 124.00
Mar	127.85	127.70	128.10 127.50
May	130.90	130.75	131.20 130.75
Jun	132.75		132.75
Barley	**Close**	**Previous**	**High/Low**
Mar	122.20	122.05	122.20
May	124.05	124.05	124.05

Turnover: Wheat 186 (195), Barley 10 (13). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	104.0	103.0	104.0 103.0
Feb	106.0	106.0	105.0

Turnover:18 (10) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	-	131.90			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 16,015 lots
Cash	1084.5-5.5	1082-3		1086-6.5		
3 months	1110-1	1197-8	1114/1106	1112.5-3	1106-8	132,950 lots
Copper, Grade A (£ per tonne)						Total daily turnover 29,601 lots
Cash	1221-2	1227-8	1229/1224	1228-8.5		
3 months	1236-6.5	1234-5	1246/1234	1240-1	1239.5-40	104,399 lots
Lead (£ per tonne)						Total daily turnover 2,898 lots
Cash	292-3	296.5-7.5	298	293-3.5		
3 months	301-1.5	303.5-5.5	302.5/301	301.75-2	301-1.5	15,203 lots
Nickel ($ per tonne)						Total daily turnover 2,308 lots
Cash	7110-20	7090-110		7070-80		
3 months	7130-40	7100-10	7135/7090	7090-5	7130-5	19,107 lots
Tin ($ per tonne)						Total daily turnover 938 lots
Cash	5486-90	5480-90	5488/5485	5485-6		
3 months	5535-40	5530-40	5535	5535-40	5535-40	5,029 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 6,141 lots
Cash	1212-7	1208-10	1223/1221	1220-1		
3 months	1165-8	1170-2	1178/1163	1168-9	1164-5	40,278 lots

LME Closing £/$ rate: SPOT: 1.8067 3 months: 1.7781 6 months: 1.7527 9 months: 1.7290

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	370.50-370.90	
Opening	368.25-368.65	
Morning fix	370.20	204.768
Afternoon fix	370.70	204.761
Day's high	371.70	
Day's low	368.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.30	6 months	4.00
2 months	4.20	12 months	3.95
3 months	4.10		

Silver fix	p/fine oz	US cts equiv
Spot	225.05	406.65
3 months	230.90	411.35
6 months	237.05	418.15
12 months	248.90	425.65

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	371.00-372.00	205.00-205.50
Maple leaf	383.00-384.00	211.60-212.10
New Sovereign	89.50-90.50	49.50-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1000	117	144	5	10
1100	45	75	32	38
1200	11	32	98	91
Copper (Grade A)	**Calls**		**Puts**	
2100	125	136	20	43
2200	63	81	56	85
2300	28	44	117	144
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
550	51	47	1	15
600	14	21	14	39
650	2	9	52	77
Cocoa	**Mar**	**May**	**Mar**	**May**
725	61	87	19	21
750	46	71	29	30
775	33	57	41	41
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1900	7	45	54	68
1950	5	28		
2000		13		160

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	369.3	369.4	372.5	369.5
Jan	370.2	370.4	0	0
Feb	371.6	371.9	374.9	371.5
Apr	373.9	374.3	377.2	373.7
Jun	376.2	376.6	379.5	376.7
Aug	378.6	379.0	380.1	380.1
Oct	381.0	381.4	383.4	380.5
Dec	383.5	383.9	386.0	384.5
Feb	386.1	386.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	371.6	373.3	376.0	371.4
Apr	374.1	375.8	378.5	374.0
Jul	376.3	378.0	380.1	380.0
Oct	382.3	384.0	386.5	386.5
Jan	384.5	386.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	401.1	402.1	405.0	401.5
Jan	402.6	403.6	401.0	401.0
Feb	404.3	405.4	407.0	407.0
Mar	405.6	407.0	411.0	405.5
May	409.4	410.7	414.0	409.0
Jul	412.8	414.1	417.0	414.5
Sep	416.3	417.6	0	0
Dec	421.7	423.2	426.0	422.0
Jan	423.7	425.3	0	0
Mar	427.8	429.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	98.65	98.90	99.60	98.50
Jan	98.50	98.80	99.40	98.60
Feb	98.50	98.60	98.90	98.50
Mar	98.10	98.50	99.10	98.05
Apr	97.90	98.35	0	0
May	97.75	98.20	98.45	97.70
Jun	97.70	98.05	0	0
Jul	97.40	97.90	98.20	97.60
Aug	97.25	97.70	0	0
Sep	97.15	97.50	97.70	97.35

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	19.35	20.04	19.92	19.34
Feb	19.35	20.01	19.92	19.33
Mar	19.35	19.93	19.86	19.31
Apr	19.35	19.87	19.80	19.35
May	19.35	19.82	19.71	19.34
Jun	19.35	19.77	19.68	19.35
Jul	19.40	19.73	19.65	19.33
Sep	19.35	19.68	19.60	19.36
Oct	19.30	19.68	19.63	19.42

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5530	5807	5750	5525
Mar	5480	5711	5680	5480
Apr	5380	5580	5620	5380
May	5260	5380	5380	5260
Jul	5175	5275	5290	5170
Aug	5260	5350	5320	5260
Oct	5525	5575	5575	5525

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1227	1231	1230	1226
Mar	1265	1284	1280	1262
May	1300	1320	1318	1300
Jul	1330	1349	1343	1326
Sep	1358	1377	0	0
Dec	1395	1414	0	0
Mar	1425	1444	0	0
May	1447	1466	0	0
Jul	1470	1489	0	0
Sep	1488	1507	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.10	78.50	76.55	75.75
Mar	80.15	80.65	80.50	79.70
May	82.75	83.40	83.20	82.85
Jul	85.60	86.25	86.00	85.40
Sep	88.30	88.95	88.70	88.15
Dec	91.90	92.50	92.00	91.50
Mar	95.40	95.65	94.75	94.75

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.09	8.83	9.10	8.75
May	9.02	8.75	9.02	8.74
Jul	9.00	8.75	9.00	8.74
Oct	9.00	8.75	9.00	8.73
Mar	8.94	8.72	0	0
May	8.90	8.71	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.15	61.12	59.19	58.61
May	60.39	63.26	60.39	59.81
Jul	61.35	63.80	61.40	60.80
Oct	63.65	65.00	63.45	63.45
Dec	64.68	65.58	64.10	63.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	161.25	164.80	164.80	161.00
Mar	162.95	166.25	166.10	162.60
May	163.25	166.40	166.00	163.00
Jul	162.95	166.25	162.60	162.50
Sep	161.35	164.65	162.90	162.50
Nov	152.00	154.30	154.50	154.50
Jan	150.00	152.45	150.00	150.00
Mar	150.00	152.45	0	0
May	150.00	152.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.9	Dec.6	mnth ago	yr ago
1612.7	1621.2	1629.0	1715.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.6	Dec.5	mnth ago	yr ago
Spot	114.34	114.60	112.96	122.79
Futures	121.25	121.15	121.70	124.64

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	554/0	555/2	557/4	549/4
Mar	561/0	562/2	564/4	557/0
May	566/2	569/4	571/4	565/0
Jul	575/6	576/6	579/4	573/0
Aug	577/4	580/6	581/0	577/0
Sep	578/0	583/0	583/0	577/2
Nov	585/4	883/6	586/6	581/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.18	19.45	19.38	19.07
Jan	19.20	19.53	19.48	19.13
Mar	19.51	19.82	19.78	19.42
May	19.79	20.06	20.06	19.73
Jul	20.03	20.30	20.30	19.99
Aug	20.22	20.44	20.40	20.15
Sep	20.22	20.55	20.55	20.20
Oct	20.22	20.55	20.20	20.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	173.3	173.5	174.0	172.2
Jan	171.8	171.6	172.6	170.5
Mar	170.6	170.4	171.5	169.4
May	171.4	170.8	171.9	169.8
Jul	173.1	172.8	173.5	171.5
Aug	173.9	173.2	174.4	173.0
Sep	174.0	173.6	174.7	173.0
Oct	186.5	187.0	188.5	186.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	238/6	237/2	239/8	236/2
Mar	247/4	248/4	247/6	245/4
May	253/6	253/0	254/0	252/0
Jul	259/0	258/2	259/2	257/2
Sep	256/4	255/4	256/6	255/0
Dec	254/6	254/2	255/6	253/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	386/2	385/2	386/0	381/2
Mar	380/6	379/6	381/4	375/0
May	358/2	357/2	359/2	354/4
Jul	329/6	327/4	330/0	325/4
Sep	334/4	333/0	334/4	330/4
Dec	347/0	345/2	347/0	339/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.35	73.07	73.82	72.85
Feb	74.65	74.37	74.80	74.37
Apr	74.82	74.30	74.92	74.40
Jun	70.55	70.17	70.70	70.20
Aug	68.65	68.22	68.85	68.40
Oct	69.15	68.95	69.15	68.90

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.42	41.62	41.87	41.35
Feb	41.25	41.40	41.55	41.15
Apr	39.65	39.60	39.77	39.37
Jun	44.75	44.87	44.90	44.52
Jul	44.90	44.85	44.90	44.65
Aug	43.75	43.80	43.80	43.60
Oct	40.60	40.60	40.70	40.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.37	38.25	38.62	37.87
Mar	38.47	38.47	38.67	38.12
May	39.82	39.75	39.87	39.37
Jul	40.23	40.10	40.25	39.90
Aug	38.80	39.02	39.10	38.60

LONDON STOCK EXCHANGE

Futures lead strong rally in shares

By Terry Byland, UK Stock Market Editor

A SOMEWHAT restrained debut for the shares in BT sold by the British government masked a convincing recovery in UK equities yesterday. The FT-SE Index moved ahead by 20.9 to close comfortably above the 2,400 benchmark lost on Friday. The rally was delayed until mid-afternoon when the stock market was led forward by a strong advance in stock index futures.

Trading volume was moderate, with the Seaq total heavily boosted by the first day's trading in the new BT stock, which made up 40 per cent of the total for the session.

Heavy trade in BT dominated the first two hours of market business. But the initial premium on the new shares was disappointing. At best, the shares traded at 128p before closing at 125½p, giving the private investor a premium of 15½p but the institutions only a minimal premium after allowing for their dealing costs.

Account Dealing Dates		
*First Dealings:		
Nov 25	Dec 9	Dec 30
Option Declarations:		
Dec 5	Dec 23	Jan 9
Last Dealings:		
Dec 6	Dec 27	Jan 10
Account Day:		
Dec 16	Jan 6	Jan 20

*New-time dealings may take place from 8.30 am two business days earlier.

The lion's share of the 253m new BT shares traded on the Seaq was taken by Warburg Securities, the global co-ordinator of the share sale.

The old, or existing quoted stock in BT, gave ground as some institutions sought to move into the new high yielding shares.

The first day of the new equity trading account, extended to cover the Christmas period, made a slow start. Investment sentiment remained depressed as the latest developments in the Soviet republics appeared to threaten the position of President Gorbachev.

Early trading also saw sterling shading easier as the foreign exchange markets awaited news from the Maastricht meeting on EC political and monetary policy.

The Footsie extended Friday's move below 2,400, quickly showing a net loss of 11.7 points. But, except for BT, trading volume was minimal.

Shares steadied as the pound also picked itself up but there was still no support for equities until early afternoon when a squeeze in the stock index futures market pushed the December contract on the Footsie to around 2,422. The activity in futures soon affected the underlying blue chip stocks and a few institutions, afraid of being left behind, began to hunt for bargains.

Equities rose steeply as buyers found the marketmakers, if not short of stock, then certainly holding level books, after taking on some stock last week. Traders are at present under orders from department heads to trade on any share positions to rival marketmakers as soon as possible, and this worked to their disdvantage yesterday.

The FT-SE Index closed at 2,409.6, the best of the day and a net gain of 20.9 on the session. Equity specialists commented that institutions had taken the view that equities had become seriously oversold and that, with the BT issue now safely out of the way, investors could again turn their attention to the arguments for buying UK equities on valuation grounds.

"The London market is seen as cheap both against other European markets and also against its own historical value," said the head trader at a leading UK broking house.

Seaq volume increased to 634m shares from Friday's 567.3m. The communique from the Maastricht summit arrived after the official close of the London equity market and is expected to provide another bullish factor today.

FINANCIAL TIMES STOCK INDICES

	Dec 9	Dec 6	Dec 5	Dec 4	Dec 3	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.65	86.70	86.54	86.22	85.98	83.29	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.67	96.70†	96.34	96.03	95.84	90.68	97.17 (2/10)	90.58 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1830.0	1802.8	1822.4	1839.5	1836.3	1721.5	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	166.9	163.5	163.9	168.1	168.9	148.4	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2409.6	2388.7	2407.0	2423.8	2420.2	2182.5	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1086.51	1086.91	1096.92	1105.53	1101.90	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.03	5.09	5.06	5.01	5.03	5.60				
●Earning Yld %(full)	7.53	7.61	7.57	7.45	7.48	11.69				
●P/E Ratio(Net)(☆)	16.70	16.51	16.59	16.87	16.79	10.34				
SEAQ Bargns 4.45pm	25,952	27,118	24,252	23,293	23,570	18,561				
Equity Turnover(£m)†	-	881.43	937.84	926.82	900.63	525.12				
Equity Bargains†	-	27,614	22,158	22,113	22,732	17,535				
Shares Traded (mil)†	-	498.0	501.6	403.6	428.6	283.4				

Basis 100 Govt. Secs 15/10/26, Fixed int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.77. †Correction

Ordinary Share Index, Hourly changes — Day's High 1830.0 — Day's Low 1798.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1798.5	1803.0	1812.7	1814.0	1813.9	1813.9	1813.4	1814.8	1823.8

FT-SE 100, Hourly changes — Day's High 2409.6 — Day's Low 2377.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2381.1	2384.3	2394.6	2392.6	2391.6	2391.2	2388.8	2391.4	2400.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1088.78 — Day's Low 1085.35

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1086.12	1088.78	1087.65	1087.20	1086.79	1085.95	1086.98

GILT EDGED ACTIVITY

Indices*	Dec 6	Dec 5
Gilt Edged Bargains	79.5	81.6
5-Day average	76.9	76.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

BT 'new' dominate trading

DEALING IN the new BT shares dominated activity in the market as the stock sold by the UK government in partly-paid form made its debut yesterday. The shares began trading at 127p, but instantly attracted heavy selling pressure and dipped to 125¾p before steadying and ending the session at 125½p.

Turnover in BT partly-paid, or BT "new" as they were designated in the market, had topped the 200m mark by midday but then slowed to eventually reach 253m shares.

One specialist said the BT debut had gone "remarkably smoothly", and that the closing level, giving the public a 15½p premium and the institutions a minimal premium over the 125p offer price, was "just what the politicians had asked for; a good profit for the voters and nothing for the big boys".

The exceptionally heavy selling pressure in the new shares was said to have come from London broking firms, with American investment banks said to have been very big buyers of the stock. Goldman Sachs was seen to be on the bid for much of the day.

BT "old" shares were badly affected by the market launch of the "new" shares, suffering from an immediate mark-down and attracting plenty of selling as the session wore on. The "old" opened some 10p below last Friday's closing level and remained under pressure for the rest of the day, ending a net 12 off at 330p, having touched 329½p at one point. Turnover was surprisingly low at 13m shares.

The specialist said there had been heavy switching out of BT "old" into the "new" by big institutions who had been warned by the government's advisers against selling off the existing stock to tender for the new shares.

He pointed out that these two factors would prove short-lived and that the price of the "new" would probably improve as the week wore on.

Ladbroke worry

Continuing worries over Ladbroke's exposure to its US property portfolio left the leisure group down 4 at 229p. Recent meetings with analysts have failed to allay fears that the downturn in the US market will hit revenues. There has also been anxiety that the group may be considering transferring some of its domestic property between its development and investment portfolios, thereby affecting the interest capitalisation. "There are lots of jitters surrounding Ladbroke at the moment," said one analyst. "The focus of them is property."

Cadbury active

The late surge by the equity market was said to have been partly triggered by stories that a bid for one of the Footsie stocks was imminent. Inevitably, Cadbury Schweppes, the confectionery to soft drinks group, was immediately put forward as a potential bid target and the shares moved ahead 5 to 415p. Turnover increased strongly to reach 2.2m shares.

There was also some keen interest in Cadbury Schweppes in the traded options market, where it was the fourth most heavily traded contract.

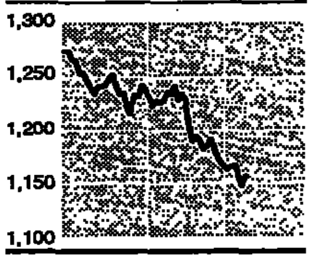
Philip Morris, the US foods, brewing and tobacco giant, was again suggested as a potential bidder for Cadbury Schweppes. The UK group has regularly attracted bouts of takeover speculation since General Cinema, of the US, bought and sold a 17 per cent stake last year.

Vickers advances

Vickers advanced to 178p initially on speculation that subsidiary Rolls-Royce Motor, the luxury car-maker, was about to be sold. Dealers focused on a statement from Vickers' director of public affairs in which he said: "Nothing is ruled out." Profit-taking and caution subsequently set in and the shares ended only 3 up on the day at 166p after healthy turnover of 2.4m shares.

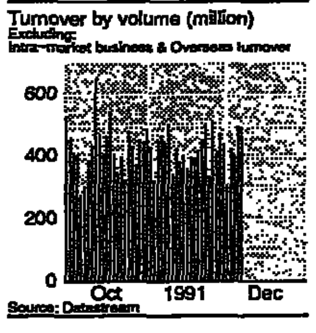
Caution was reinforced by a statement from Vickers saying that in view of the lower sales volumes it was reviewing the options for its car business but was not engaged in talks to sell Rolls-Royce Motor.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

Explaining the caution, Mr Nick Cunningham at Strauss Turnbull said: "It became clear that nothing substantive had happened and the degree of caution reflected questions about how important such a disposal would be. They should have sold it two years ago."

He added: "One wonders if things may be worse than anticipated at Vickers. It may be a forced sale."

Rumours that Lord Forte had sold some of his non-beneficial holding in Forte briefly unsettled the stock. However, one marketmaker said the trade was between different Forte trusts with no dilution of the former chairman's holding. The recent profit downgradings also continued to cast a shadow over the price, but Forte finished a penny up on balance at 239p.

Holiday group Airtours forged ahead 39 to 393p as the recent bout of profit-taking ended. Bullish brokers' circulars following last week's results aided sentiment. However, the stock's volatility is leading to a number of analysts advising their clients to reduce holdings, even though they see the price advancing in the medium-term. Owners Abroad gained 5 to 113½p in sympathy.

Uncertainty ahead of this week's finals pushed Granada Group back 4¼ to 171p.

Albert Fisher, the food manufacturing group, was the latest stock to attract the attentions of "bear-raiders", with the shares upset by rumours that Corporate Partners, of the US, was about to unload its 41m-share stake and that the company's chief executive in the US was about to resign. "Not true," said the company's advisers. Fisher shares dropped to around 66p before stabilising and closing a net 6 down at 74p.

Williams Holdings rallied strongly and closed 19 higher at 356p on heavy turnover of 4.5m, with the market boosting the share price after the increased offer for Racal Electronics, announced after hours on Friday. The steep rise, according to market specialists, was a reflection that the offer for Racal was more likely to fail than to succeed.

Racal shares, which dropped to 45½p in after-hours' trading on Friday, stabilised at 48½p, with turnover expanding rapidly to reach 19m shares.

Steetley, which recently merged its building materials interests with those of Tarmac, jumped 19 to 274p on 1.3m shares traded amid revived takeover talk. Tarmac climbed 11 to 128p.

Reuters, having continued its strong showing in New York on Friday night, rose 16 to 244p in London yesterday. Recent buy recommendations from three brokers and news that its new automatic equities dealing service, which has captured 4 per cent of the US market, was expanding to the UK, also helped.

Recent stories of profits downgrades in Alexon – marginally easier at 353p – were correct, with County NatWest shifting their 1991/2 forecast from £13m to £11.5m and that for 1992/3 from £16.5m to £14.5m. County said better sales trends in October and November were not sufficient to make up for a poor August and September.

The death, last Saturday, of Mr Charles Purley, the founder of Lec Refrigeration, prompted a flurry of buying of Lec shares, triggered by takeover stories. By the close, Lec had surged 35 to 293p, albeit in a thin market.

Multitone, scheduled to reveal interims today, ran up 13 to 84p. Psion continued to move higher, buoyed by the success of its recently-launched lap-top computer.

Pharmaceuticals group Glaxo held its first presentation with UK analysts in 18 months yesterday. There was some disappointment over the content of the meeting, particularly the lack of space given to R&D. However, strong support from the US after Wall Street opened ensured it finished up 15 at 821p.

Wellcome also benefited from US interest, closing 9 ahead at 900p.

Passenger traffic figures for November showing a 1.6 per cent increase boosted both British Airways and BAA. The former added 3 at 207p while the latter closed 2 up at 506p.

Bargain hunters helped P & O bounce from recent lows to end 13 better at 410p on turnover of 1.5m. Transport Development Group eased 5 to 238p as a cross was carried out at 236p.

British Land agreed a joint venture with Bristol Development Corporation to develop a 30-acre waterfront site at Temple Mead. The shares closed 2 better at 279p.

The entrance of two new houses to trade City Site again proved unsettling for the stock, which finished 5 lower at 79p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 25.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (7).
BUSINESS SERVICES (1) Rolfe & Nolan. ELECTRICALS (1) Blick, HEALTH & HOUSEHOLD (2) Amersham, Elan, MEDIA (1) GWR, OTHER FINANCIAL (1) Searling Tst., PACKAGING, PAPER & PRINTING (1) Boxmore.
NEW LOWS (87).
AMERICANS (2) Citicorp, IBM, BREWERS & DISTILLERS (1) Marston Thompson, BUILDING MATERIALS (1) European Colour, CHEMICALS (1) Sutcliffe Speakman, CONGLOMERATES (5) Cannon St. Invs., Hanson 9½pc Cnv., Melville, Trafalgar Hse., Do A; CONTRACTING & CONSTRUCTION (3) Birse, Wescol, Westminster Scaffldg., ELECTRICITY (2) Scot. Hydro-Electric, Scot Power, ELECTRONICS (2) P & P, Sema, ENGINEERING GENERAL (3) Beauford, GEI, Verson, FOOD RETAILING (3) ASDA, Albert Fisher, Hunter Saphir, HOTELS & LEISURE (1) Wembley, INSURANCE BROKERS (1) Alexander & Alex., INSURANCE LIFE (1) Utd. Friendly B, INVESTMENT TRUSTS (4) Drayton Blue Chip, Do Eng & Intl., Electra, Scottish Value, MEDIA (4) Black (A & C), Midlands Radio, Saatchi, TV-am, METAL & METAL FORMING (2) Cohen (A), Tinsley (Eliza), MISCELLANEOUS (3) Platignum, Stonehill, Tams (J), MOTORS (2) European Motor, Lucas Wrrnts., OIL & GAS (3) Cairn Energy, Hardy, Santos, OTHER FINANCIAL (4) Garrard Natl., Malaysian Emg Wrrnts., Sth America Fd Wrrnts., Union Discount, OTHER INDUSTRIAL MATERIALS (1) Whitecroft, PACKAGING, PAPER & PRINTING (2) Ferry Pickering, Tinsley Robor, PROPERTY (9) Bredero, Chesterfield, City Site Ests., Dunloe Hse., MEPC, Peel, Trencherwood, Waterglade, Wood (JD), STORES (4) Bentalls, Brown & Jackson, Clinton Cards, Stylo, WATER (2) Anglian, South West, MINES (1) Renison.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	13	313	+19	Cookson	219	102	+3	Lucas	1,300	108	+2	Shell Transport	2,000	481	+2
ASDA Group	7,200	33½	+1½	Courtaulds	1,000	457	+2	MB Caradon	734	241	+6	Siebe	535	502	+8
Abbey National	2,930	280	+1	Dalgety	391	351	-5	MEPC	131	413	+6	Slough Ests	825	226	+3
Albert Fisher	4,900	74	-6	De La Rue	312	454	+8	Manweb	37	292	+2	Smith (W.H.) A	1,430	460	-2
Allied-Lyons	1,400	586	+9½	Dixons	775	221	+4	Marks & Spencer	1,900	288	+3	Smith & Nephew	4,200	130¼	+½
Amstrad	1,400	26		ECC Group	263	448	+14	Midland Bank	1,100	204	+9	SmithKline Beecham	1,100	817	+12
Anglian Water	964	328	+2	Eastern Elect.	72	227		Midlands Elect.	0	249		SmithKline Beecham Uts.	91	3683	+78
Argos	547	271		East Midland Elect.	24	238		NFC	1,300	214	+7	Smiths Inds.	242	359	-7
Argyll Group	1,700	285	-3	Enterprise Oil	1,100	460	+4	NatWest Bank	1,500	265	+2	Southern Elect.	188	245	+1
Arjo Wiggins	853	258	+4	Eurotunnel Units	211	363	-7	National Power	1,600	140		South Wales Elect.	5	261	-1
Ass. Brit. Foods	61	446	+8	FII	10	52	+2	Next	3,800	60½	+1	South West Water	106	304	+1
BAA	2,800	506	+2	Ferranti	1,500	8½		North West Water	1,200	333	+½	South West. Elect.	4	347	
BAT Inds	1,900	612	+11	Fisons	1,100	380	+8	Northern Elect.	20	246		Southern Water	31	301	+1
[illegible]															

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A SQUEEZE in Footsie futures towards the close following a strong performance throughout the session helped the December contract end strongly, writes Joel Kibazo.

Local traders covering short positions helped December gain momentum and it soon developed a healthy premium.

Strong institutional buying brought further advances in the contract and at the day's best it traded at a 20-point premium to the underlying cash market, brushing aside a weak set of retail sales and credit figures.

It was a squeeze late in the session, however, as dealers once again moved to close short positions, that was responsible for pulling the underlying cash market higher late in the day.

December finished at 2,442, some 10 points above its new estimated fair value premium to cash of around 3. Turnover reached 6,441 lots.

Dealers reported a quiet session in the traded options market with total turnover reaching a meagre 17,480 contracts.

BT, in which the government sold half of its remaining stake yesterday, was the busiest stock option. It traded 1,776 contracts, though dealers had expected bigger business. This was followed by Asda with a day's total of 1,013 lots.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8pc 1991		[illegible]	—	99½	96½	8.02	—
12¾pc 1992‡‡		[illegible]	—	101½	100	12.73	10.45
10pc 1992		[illegible]	—	[illegible]	97	10.02	10.28
2pc IL 1992‡‡		[illegible]	—	134	125	1.97	8.14
8pc 1992‡‡		[illegible]	—	[illegible]	95	8.07	10.11
10½pc Cv 1992‡‡		[illegible]	—	[illegible]	98½	10.48	10.28
3pc 1992		[illegible]	—	97	91	3.08	8.42
[illegible]							

Five to Fifteen Years

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
Treas 13¼pc 1997‡‡		112	-¼	114	108	11.78	10.05
Exch 10½pc 1997		102	-⅛	103	97¼	10.24	9.85
Treas 8¾pc 1997‡‡		95	-⅛	95	89	9.18	9.76
Exch 15pc 1997		121	-⅛	123	117	12.38	10.13
9¾pc 1998		99	-⅛	100	93	9.88	9.83
Treas 6¾pc 1995-98‡‡		88	-⅛	88	80	7.67	9.25

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
15½pc '98‡‡		128	-⅛	128	121¾	12.24	9.98
Exch 12pc 1998		110¼	—	111	104	10.88	9.90
Treas 9½pc 1999‡‡		99	—	100	92	9.58	9.65
Exch 12¼pc 1999		111	—	113	105	10.98	9.91
Treas 10½pc 1999		103	-⅛	104	97	10.14	9.80
Conversion 10¼pc 1999		102	-⅛	103	95	10.02	9.80
9pc 2000‡‡		96	—	97	89	9.32	9.60
Treas 13pc 2000		117	+⅛	118	110½	11.10	9.98
[illegible]							

Undated

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
Consols 4pc		48	—	41¼	37		
War Loan 3½pc‡‡		36	—	37	33		
Conv 3½pc '61 Aft		68	—	68	57		
Treas 3pc '66 Aft		30	—	30	28		
Consols 2½pc		25	—	29	23		
Treas 2½pc		25	—	26	23		

BRITISH FUNDS - Cont.

Index – Linked	Notes	Price £	+ or -	1991 high	1991 low	Yield (1)	Yield (2)
	(b)						
Treas. 2pc '94	(102.9)	122	+⅛	123	115	2.72	3.75
2pc '96	(67.9)	177	+⅛	177	168	3.47	4.01
2½pc '01	(78.3)	144	-⅛	146	137	4.00	4.29
2½pc '03	(78.8)	139	-⅛	141	133	4.07	4.33
2pc '06	(69.5)	141	-⅛	143	135	4.14	4.35
2½pc '09	(78.8)	129	-⅛	131	124	4.17	4.35
2½pc '11	(74.6)	[illegible]				4.17	4.34
[illegible]							

OTHER FIXED INTEREST

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

[illegible]

APPOINTMENTS

Broking continuity

SEDGWICK, the UK's biggest insurance and reinsurance broker, has moved to raise the profile of two members of its senior management team.

Saxon Riley (right), at 52 currently vice-chairman of Sedgwick and one of the London insurance market's most highly regarded energy risks brokers, is appointed to the new position of group managing director, from where he will be in charge of the group's day-to-day broking and risk management operations worldwide. Richard Titley, 52, who is currently chairman of the group's energy broking subsidiary becomes a director of the main group.

At the same time Sedgwick has announced that its chairman and chief executive, David Rowland, now 58, is to extend his period of office until 1995, two years after the date at which he was due to retire. Rowland joined Sedgwick in 1988, and was elected chairman in April 1989. In an additional development, Joe Palmer, the former chief executive of Legal & General who retired earlier this year, becomes a non-executive director.

■ Chris Braithwaite, formerly a divisional md with Suter, is appointed chairman of COSALT ROPE, NET & TWINE.

■ SILENTNIGHT HOLDINGS has appointed Bill Simpson group md. Barry Cody also joins the board.

■ Louis Murray has joined the board of IWP International as director of the industrial products division.

■ Malcolm Packer is promoted to md of EURODOLLAR INTERNATIONAL, part of Swan National.

■ Michael Kuhn has been appointed president of POLYGRAM Filmed Entertainment.

■ Alan Rothwell is appointed finance director of The GREENALLS Group.

■ Neil Roberts, formerly md of Parc, is appointed md of the SUMMIT group's companies at Sunbury-on-Thames.

■ Terry Buckley is appointed a director of UNITED DRUG.

■ James Moffat is promoted to md of BRIDGEWATER NEWSPRINT.

■ Ed Simon is promoted to finance director of Thermovitrine, part of TRIPLEX LLOYD.

■ Chris Webborn is promoted to marketing director of DUNLOP International Technology; he replaces Alex Robertson-Kellie who has retired.

■ SYMBOL TECHNOLOGIES INTERNATIONAL has promoted Tomo Razmilovic senior vice president, international operations, based in Wokingham.

Swedes steam in to Brel

Drastic action to restore profitability at BREL, Britain's biggest train maker, has been accompanied by the appointment of another Swedish national to the board.

Stig Svärd, 53, is to take over as director of new construction from February following the dismissal of the former incumbent some months ago.

Svärd comes to Brel after a long career with Atlas Copco, the Swedish manufacturer of air compressors and industrial equipment – most recently as president of the group's Airtech division in Belgium.

He will serve under Bo Södersten, a fellow Swede, who was recently installed as chief executive. At least two other Swedes have recently joined the management.

The Swedes have been brought in by Asea Brown Boveri, the Swiss-Swedish engineering group with extensive train-making interests, which owns 40 per cent of Brel's shares. Another 40 per cent is owned by Trafalgar House, the UK construction group.

The two companies asserted control over Brel and sacked its chief executive in September after it ran into heavy losses, mainly through its failure to fulfil production schedules on trains for British Rail.

Quitting Beazer

Terry Upsall who, until three months ago, was all set to become chief executive of one of Britain's biggest independent housebuilding and contracting companies, will retire in the new year from BEAZER following the company's takeover by HANSON.

Until Hanson arrived on the scene it had been planned to float off CHB, Beazer's UK housebuilding, contracting and property arm, as a separate company. Upsall, 54, as chief executive would have run the independently quoted company.

Hanson says Upsall is retiring at his own wish. Four non-executive directors, Lord Digby, Derek Fowler, Desmond Watkins and Michael Whittles are also resigning from Beazer's parent company.

Anthony Cotton, a director of Hanson, becomes chairman of Beazer. Brian Beazer, former chief executive and chairman, has said he will be remaining with Hanson to run Beazer's US aggregates operations.

TOP FINANCE (BERMUDA) II LTD
US $25,000,000
FLOATING RATE NOTES DUE 2000
Notice is hereby given that for the interest period from 9 December 1991 to 9 June 1992 the notes will carry an interest rate of [illegible] per annum.
CHEMICAL BANK as Agent Bank

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		33¼xd	+⅛	34⅝	20⅞	14,182	1.7
♥Allegheny & W		268p	...	385p	218p	139.3	6.3
Amdahl		716pxd		10⅛	667p	793.3	0.8
Amer Cyanamid		31¼	—	42⅛	25⅞	2,924	2.7
Amer Express		10⁷⁄₁₆xd	+⅛	17⅞	9¹⁄₁₆	4,984	5.4
Amer T & T		20⅝xd	—	24½	15¾	26,940	3.6
Ameritech		34½	—	38⅞	32½	15,105	5.5
BankAmerica		17⅝xd	-⅛	26⅝	12⅞	3,831	3.9
Bankers NY		34xd	-⅛	38⅜	20⅜	2,777	8.0
Bell Atlantic		24⅞xd	—	30⅞	24¼	9,782	5.7
BellSouth		25¼	—	31¼	25	12,489	6.0
♥Bethlehem Steel		6¼xd	—	11¼	6⅛	514.1	3.3
Bowater		1878p	—	1839p	1046p	387.2	6.3
CPC		47⁷⁄₁₆xd	+⅛	54⅛	37⅞	3,585	2.4
California Ergy		825p	—	930p	420p	158.2	—
Campbell Soup		44⅛xd	-½	50	28¼	5,537	1.9
Chase Manhattan		8¼	—	12⅝	5⅜	1,118	8.4
Chrysler		6½xd	—	9⅜	5½	1,863	5.2
Citicorp		5⅝xd	-⅛	10⅞	5⅝	1,932	—
Colgate-Palm		23⅞xd	-⅛	28⅝	21⅛	3,428	2.5
Cont'l Bank		468p	—	920p	438p	470.9	7.2
Dana		14⅛xd	+⅛	21⅝	13⅛	580.6	6.4
Data General		821p	—	1262p	203p	226.5	—
Dial		22⅞xd	-⅝	25½	12⅞	903.8	3.4
Dun & Brad		27⅜	—	29⅝	20¾	4,887	4.4
Eaton		31¾	—	40	24¼	1,081	3.9
Echlin		6⅛xd	—	8½	5½	343.7	6.4
FPL		19¼xd	-¼	20⅛	14⅛	3,263	7.0
Fluor		19½xd	-⅛	30⅛	17⅛	1,578	0.9
Ford Motor		13¼xd	—	23¼	13⅛	6,272	4.2
Gen Elect		35⅝xd	+⅛	40⅛	28⅛	39,801	3.2
♥General Host		416p	—	566p	270p	—	4.8
Gillette		25⅝xd	+⅛	45¾	20⅞	5,562	1.4
Hasbro		19½	—	20⅞	794p	1,112	0.7
Honeywell		32⅝xd	-⅝	38½	21⅞	2,297	2.8
Houston Inds		22⅞	—	23½	17⅞	2,948	7.3
IBM		49¼xd	-⅞	72⅛	49¼	28,177	5.5
Ingersoll-Rand		24⅛xd	-¼	32½	18⅛	1,254	3.1
Lockheed		23⅛xd	—	28⅛	16⅝	1,515	4.7
Loew's		1582p	—	2155p	1245p	547.7	2.1
Man Hanover	♦	12¾xd	-⅛	18⅞	9½	989.6	14.4
Merrill Lynch		27⅜xd	+¼	32⅞	10⅛	2,810	2.1
Morgan (JP)		33⅛xd	-2½	38¼	21⅛	8,256	3.4
Morris (Philip)		37½xd	-1¼	44¼	25⅛	34,718	3.1
NYNEX		41⅜	—	48¾	39	8,362	6.2
♥Pac Acric		28½p	—	89p	15p	—	—
Pall	h	19½	—	23⅛	15⅞	1,149	1.3
Pennzoil		31¼xd	+⅛	46⅛	31⅝	1,283	5.3
Quaker Oats		39⅛xd	+⅛	40½	24⅞	2,992	2.5
Rockwell		13¾xd	+⅛	17⅞	12⅛	3,163	3.8
Rep NY		22⅛	-⅛	27⅛	16½	1,167	2.5
Sears, Roebuck		18⅞xd	-⅞	25⅝	12⅛	8,494	6.0
Sthwestern Bell		31⅝xd	—	34½	25⅞	9,482	5.0
Sun Co		14⅛xd	-⅛	28¼	14⅛	1,544	7.1
Tenneco		20⅝xd	—	27⅛	18⅛	2,525	4.4
Texaco		31¼xd	+1⅛	40½	29⅛	8,206	5.7
Texas Instr		15⅛xd	+⅛	28⅛	15⅛	1,265	2.6
Time Warner		45⅛xd	+⅛	64½	37⅛	4,195	1.2
TRINOVA		9⅛xd	-⅛	18⅞	8⅛	259.3	4.2
♥UniSab		589p	—	556p	250p	472.8	—
Utd Tech		25⅝xd	-⅛	29⅞	22⅞	3,081	3.9
♥Unitech		66p	—	92p	42p	—	—
US West		19⅛	—	23	18¼	7,813	6.1
Vanity		80½p	—	102p	80½p	28.1	—
Waste Manage		20⅞xd	-¼	24⅞	16⅝	9,868	1.2
Whirlpool		1885p	—	2346p	1053p	1,310	3.3
♥Woolworth		14⅛	-⅛	20⅛	13½	1,842	4.3

CANADIANS

	Notes	Price £	+ or -	1991 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy		2p	—	11p	2p	—	—
Amer Barrick		1422p	—	1477p	953p	1,941	0.3
Bk Montreal		20⅛	—	20⅛	13	2,454	5.3
Bk Nova Scot		1803pxd	—	1833p	536p	2,082	5.1
♥BC Gas		808p	—	852p	639p	—	3.8
BCE		23⅛	—	24	17¼	7,126	6.3
♥Brascan		874p	—	10½	647p	720.8	6.1
♥Breakwater		12p	—	36p	9p	7.63	—
Can Imp Bk		1614p	—	1725p	1180p	2,946	4.2
[illegible]							

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

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MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1991 high	1991 low	Yld Gr's	NAV	Dis or Pm(-)
Sphere Inc		18	—	33	19	27.2	21.8	15.1
Zero Div Pf		66	$+\frac{1}{2}$	$68\frac{1}{2}$	$58\frac{3}{4}$	—	—	—
Warrants		3	—	$9\frac{1}{2}$	$2\frac{1}{4}$	—	—	—
Strata		145	—	164	104	1.2	175.5	17.3
Stratton		145	—	160	120	1.7	175.7	16.6
TR City of Lon		$118\frac{1}{4}$	$-\frac{1}{2}$	$121\frac{1}{4}$	90	5.5	107.8	-7.9
TR Euro Growth	s	89	-1	104	78	1.5	95.0	5.3
Pfg Sshr	8	54	-2	60	40	2.6	—	—
TR Far East Inc		78	—	84	66	7.2	89.6	13.0
Warrants		15	—	22	12	—	—	—
TR High Inc	H	103	-1	118	85	7.8	95.2	-8.3
Sshr	0	34	—	36	24	6.8	—	—
TR Pacific		67	—	82	49	0.5	78.6	14.8
TR Prop		27xd	$+\frac{1}{2}$	37	$26\frac{1}{2}$	7.2	34.6	22.0
TR Smaller		137	+1	155	98	3.6	145.7	5.6
TR Technology	s	36	—	82	20	0.5	90.1	60.1
Stepped Pf		$89\frac{1}{2}$	—	$94\frac{1}{2}$	$70\frac{1}{2}$	8.2	—	—
Zero Pf		$153\frac{1}{2}$	—	$158\frac{1}{2}$	$117\frac{1}{2}$	—	—	—
Temple Bar	t	250	+1	278	210	6.2	271.1	7.8
6pc 2002		$£111\frac{1}{2}$	—	$£111\frac{1}{2}$	$£102\frac{1}{2}$	6.4	—	—
Temple Bar Mkts	ss	165	—	178	92	0.5	162.1	-1.8
Warrants		60	—	69	27	—	—	—
1pc Cv 2001		$£182\frac{1}{2}$	—	$£187\frac{1}{2}$	$£90\frac{1}{2}$	0.6	—	—
Thornton Asian		58	—	72	55	1.1	68.1	14.8
Warrants		11	—	18	9	—	—	—
Thornton Pan Euro		27	—	31	25	4.3	30.4	11.1
Warrants		5	—	10	5	—	—	—
Throg Dual Inc		96xd	$-\frac{1}{2}$	106	93	11.8	—	—
Cap		343	—	368	260	—	639.6	46.4
Throgmorton		48	$-\frac{1}{2}$	94	$45\frac{1}{2}$	6.8	68.5	25.6
Warrants		13	—	26	15	—	—	—
Throg USM		103	—	110	81	4.7	124.3	17.1
Warrants		13	—	27	14	—	—	—
Tor Inc		485	—	503	400	10.7	—	—
Cap		645	—	735	585	0.8	1089.2	39.6
Tribune		225	—	258	189	3.5	271.1	17.0
Trust of Prop		54	—	77	40	3.4	77.5	30.3
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MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MISCELLANEOUS - Cont.

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

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This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	66.10	66.30	70.76	-0.22	4.65
Acumen Reserve	3	66.48	66.48	68.46	.....	9.66
American Income	5	122.12	122.20	129.40	-0.80	3.67
Equity Income	5	74.12	74.12xd	79.10	-0.47	6.39
European	5	50.29	50.29	53.67	-0.11	1.54
Far Eastern	5	103.09	103.10	110.00	-0.39	0.90
Smaller Cos	5	45.16	45.16xd	48.19	-0.29	3.43
Olympiad	5¼	44.04	44.04	47.00	-0.22	1.02
Olympiad Income	5¼	41.07	41.07xd	43.83	-0.23	6.25
UK Growth	5	70.26	70.99	75.77	-0.53	2.06

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time at which the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	103.1	108.5	....	-
Pension Managed Fd	100.8	106.1	....	-
Life Deposit Fd	111.1	117.0	....	-
Pension Deposit Fd	118.0	124.2	....	-

For National Fls see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	162.5	171.1	....	-
UK Equity	167.5	176.4	....	-
Overseas Equity	131.4	138.4	-	-
Fixed Interest	155.2	163.4	....	-
Property	130.3	137.2	....	-
Index Linked	151.5	159.5	....	-
Deposit	164.7	173.4	....	-
With Profits (B)	134.7	141.9	....	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	339.4	357.3	-0.5	-
UK Equity	422.0	444.3	-1.1	-
Overseas Eq	324.2	341.3	+0.3	-
Americas	273.6	288.1	-0.3	-
Far East	346.4	364.7	-0.9	-
Property	194.2	204.5	-0.1	-
Fixed Int	272.7	287.1	-0.5	-
Indexed Gilt	161.3	169.8	-0.1	-
Deposit	188.4	198.4	+0.1	-
With Profit	105.5	111.0	....	-
Pension Fund (Accum Units)				
Managed	491.2	517.1	-0.4	-
UK Equity	573.1	603.3	-0.6	-
Overseas Eq	551.6	580.7	-0.6	-
Americas	349.4	367.8	+1.7	-
Far East	568.3	598.3	-2.1	-
Property	248.0	261.1	....	-
Fixed Int	340.3	358.3	-0.3	-
Indexed Gilt	176.0	185.3	-0.1	-
Deposit	267.5	281.6	+0.2	-
NPI Pensions Management Ltd				
Managed Fund	1071.5	1090.6	....	-

Prices December 2 Next dealing January 2

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	69.3	73.0	-0.1	-
Stock Market Mngd Fund	68.2	71.7	-0.2	-
Equity Fund	76.3	80.3	-0.2	-
International Fund	59.0	62.1	-0.2	-
European Fund	60.3	63.5	-0.1	-
North American Fund	65.4	68.9	-0.2	-
Pacific Fund	65.6	69.0	-0.2	-
Property Fund	77.3	81.4	....	-
Fixed Interest Fund	61.9	65.2	-0.1	-
Index Linked Sec Fund	63.0	66.3	-0.1	-
Deposit Fund	72.2	76.1	....	-
NUAM Retirement Plans				
Mixed Fund	76.8	80.9	-0.1	-
UK Ordinary Share Fd	88.5	93.1	-0.2	-
International Fund	63.3	66.6	-0.2	-
Property Fund	83.9	88.3	....	-
Fixed Interest Fund	76.3	80.4	-0.1	-
Index Linked Sec Fund	67.5	71.0	-0.1	-
Deposit Fund	86.7	91.3	+0.1	-
NUAM (NP)				
Managed Fund	977.8	1029.3	-1.9	-
Equity Fund	2085.4	2195.2	-3.7	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	208.2	219.7	-2.5	-
UK Fixed Int Acc	191.4	202.0	+0.1	-
Intl Equities Acc	165.9	175.1	+0.3	-
UK Managed Acc	165.2	174.2	-1.3	-
Property Acc	224.5	236.9	....	-
Money Acc	134.2	141.6	+0.1	-
Special Market Acc	139.1	146.8	-2.4	-
Japan Equity Acc	94.3	99.5	-0.4	-
North American Acc	95.0	100.3	-0.5	-
Pacific Acc	90.0	95.0	-0.5	-
Technology Acc	115.0	121.4	-1.9	-
Nat Resources Acc	55.3	58.4	+0.2	-
European Acc	95.2	100.5	-0.6	-
Residential Prop Acc	90.6	95.6	....	-
Swiss Equities Acc	31.4	33.2	-0.1	-
Hong Kong Acc	68.0	71.8	-0.2	-
UK High Inc Eq Acc	67.4	71.2	-0.7	-
Int Fixed Interest Acc	60.7	64.1	....	-
Int Managed Acc	54.6	57.5	....	-
HIP Managed Acc	111.4	117.5	-0.9	-
HIP Managed II Acc	96.6	101.8	-1.1	-
HIP Managed III Acc	105.2	110.9	-0.8	-
Total Investment Bond				
UK Equity Initial		141.1	-1.7	-
UK Fixed Int Initial		130.0	+0.1	-
Intl Equities Initial		111.8	+0.2	-
UK Managed Initial		112.2	-0.8	-
Property Initial		153.5	....	-
Money Initial		91.5	....	-
Special Market Initial		107.6	-1.8	-
Japan Equity Initial		72.9	-0.3	-
North American Initial		73.6	-0.3	-
Pacific Initial		69.7	-0.3	-
Technology Initial		89.1	-1.3	-
Nat Resources Initial		42.8	+0.2	-
European Initial		85.1	-0.5	-
Residential Prop Init		86.2	....	-
Swiss Equities Initial		29.9	-0.2	-
Hong Kong Initial		64.8	-0.2	-
UK High Inc Eq Init		64.2	-0.6	-
Int Fixed Interest Init		58.6	+0.1	-
Int Managed Init		52.8	....	-
HIP Managed Init		107.9	-0.9	-
HIP Managed II Initial		94.8	-1.0	-
HIP Managed III Init		104.4	-0.7	-
Broker Funds				
High Performance	71.5	75.4	-0.4	-
Towerhill Mngd Fd Acc	38.4	40.5	-1.6	-
YRA Executive Fd	97.8	103.1	-0.2	-
£ Global Growth Acc	121.8	128.4	+0.2	-
£ High Income Money Acc	145.2	153.1	+0.1	-
IM Balanced		51.8	-0.3	-
N.F. Speculator Fd		114.0	-0.7	-
AAFS Int Man Fund		117.9	-1.0	-
Andrews-Green Inv Port		83.9	-0.5	-
Individual Pension Funds				
UK Equity Acc	228.6	241.2	-2.7	-
UK Fixed Interest Acc	245.8	259.3	+0.2	-
Intl Equities Acc	211.4	223.0	+0.4	-
UK Managed Acc	180.6	190.5	-1.3	-
Property Acc	202.2	213.3	....	-
Money Acc	170.5	179.9	+0.1	-
Special Market Acc	221.4	233.6	-3.8	-
Japan Equity Acc	149.5	157.8	-0.6	-
North American Acc	117.1	123.6	-0.6	-
Pacific Acc	168.8	178.1	-0.8	-
Technology Acc	150.2	158.5	-2.5	-
Natural Resources Acc	85.9	90.7	+0.4	-
European Acc	107.4	113.3	-0.8	-
Residential Prop Acc	98.4	103.8	....	-
Swiss Equities Acc	31.5	33.3	-0.1	-
Hong Kong Acc	69.8	73.7	-0.3	-
UK High Inc Equ Acc	74.2	78.3	-0.7	-
Int Fixed Interest Acc	65.7	69.4	....	-
Int Managed Acc	55.6	58.6	....	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.09	16.90	-0.07	1.05
Japan Tech	$57.11	59.97	-0.14	–
Japan Fund	$24.37	25.59	–	0.17
Japan New Gnrtn Fd	$18.19	19.10	+0.09	–
Malay Sing	$54.11	56.82	+0.21	0.31
Nth American	$22.01	23.12	+0.16	0.58
Oceanus Fund	$21.80	22.89	+0.16	0.88
Pacific Fd.	$61.25	64.32	+0.10	–
International Bond	$17.18	18.04	+0.11	6.89
Europa Fund	$13.03	13.69	+0.11	–
British Screen Fd	£0.85	0.90	-0.01	–
Tristar Warrant	$11.10	11.66	+0.06	–
Hong Kong	$51.75	54.34	+0.16	3.09
Mngd Portfolio (Stg)	£3.96	4.28	-0.02	–
Mngd Portfolio (Dlr)	$10.13	10.69	+0.05	–
Currency Fd-Sterling	£19.76		+0.01	–
Currency Fd-US Dollar	$15.49		+0.01	–
Curr Fd-Deutschemark	DM40.99		+0.01	–
Curr Fd-Managed $	$46.02	48.32	+0.19	–
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*	$1.00		–	4.67
Investment Series*	$1.00		–	4.51

*Annualised Yield.

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F
Lord Street, Douglas, IoM 0624 661551

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

TSB Trust Funds — Contd.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity	5	137.36	137.36	148.59	-0.48	0.93
International Equity	5	111.03	111.03	118.16	-0.52	0.00
Far Eastern	5	86.26	86.26	92.61	-0.27	0.00
European	5	78.32	78.32	83.02	-0.36	0.00
Pan American	5	148.51	148.51	157.41	+0.43	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	98.18	98.18	101.45	-0.03	10.15
Monthly Share	3	96.03	96.03	99.22	-0.02	10.38

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling	£21.50		+0.02	9.5
US Dollar	$31.54		+0.01	3.6
Deutschemark	DM35.62		+0.04	7.9
Yen	Y4,064		+0.001	5.0
Managed Multicurrency	£13.10	13.56	-0.05	–
Managed Multicurrency	$25.31	26.21	+0.01	–
Bond Funds				
Sterling Bond	£0.407	0.423	–	10.6
US Government Income	$99.26	102.79	-0.17	6.7
Asian Selection Funds				
Hong Kong	$13.138	13.829	+0.038	3.0
Indonesia	$7.650	8.053	+0.054	2.5
Korea	$9.604	10.110	-0.066	2.5
Malaysia	$9.570	10.074	+0.047	0.5
Philippines	$10.648	11.246	+0.038	2.5
Singapore	$11.440	12.042	+0.057	1.0
Thailand	$12.064	12.699	+0.293	2.5
South East Asia	$11.063	11.645	+0.098	3.0
US Dollar Liquidity	$9.580	10.059	+0.003	3.4

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Abtrust Fund Mngrs Luxembourg SA (u)
13 rue Goethe L-1637 Luxembourg

[illegible]

Aetna Intl Umbrella Fund (u)
47 Blvd Royal, PO Box 275, L-2012 Lux

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Viking Fund—SICAV				
NAV Dec 2 Ecu67.36				
"WINTERTHUR" Fund Mngmt Co (Lux) SA				
WIN Global Intl Bond	Ecu109.49		–	–
WIN Global Intl Equity	Ecu96.31		–	–
WIN Global Intl Reserve	SFr211.67		–	–
World Bond Fund—SICAV (u)				
World Bond Fund	$24.61	25.85	+0.16	0.77
Inv Ad Warburg Asset Mngt London				
World Trust Fund				
Shares NAV	$9.50		-0.13	–

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Gaia Currency Funds				
Gaia Hedge I	$102.60	102.93		–
Gaia Hedge II	$190.73	194.03		–
Gaia Hedge III	$31.64	32.66		–
Gaia Gtd Crrncy I	$75.68	–		–
Gaia Gtd Crrncy II	$77.71	–		–
Gaia Swiss Franc	SFr79.08	80.40		–
Gartmore Investment Ltd				
Gartmore Fund Managers International Ltd				
Capital Strategy Portfolio				
Income Portfolio	0.98		-0.01	9.42

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
North Star Fund Managers—Contd.				
Second High Perform Fd	Dkr227.0	228.0	-2.0	–
Mixed Intl Fd	Dkr160.0	161.0	-1.0	–
Invest Fd (Cayman)	Dkr142.0	143.0	-1.0	–
High Perf Fd (Cayman)	Dkr159.0	160.0	-1.0	–
Bond Fd (Cayman)	Dkr140.0	141.0		–
Mixed Fd (Cayman)	Dkr130.0	131.0	-1.0	–
High Security Fd	Dkr163.0	164.0	-2.0	–
High Income Fd	£12.1	12.2	+0.1	–
Dollar Growth Fd	$1.40	1.41		–
Dollar Income Fd	$1.16	1.17	-0.01	–
North Star International Currency Fund				

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Asian Warrants	$10.73	11.37	-0.01	–
European Warrants	$4.02	4.26	-0.07	–
Managed	HK$10.20	10.79	+0.02	–
Private Capital Tst	$19.76		+0.01	–
Wellington Fd Mngrs (Bermuda) Ltd				
Intal Growth Fd	$12.83	13.49		–
Wells Fargo U.S. ST Fund				
Wells Fargo A Shs (z)	$11.31		+0.05	–
Wells Fargo B Shs (z)	$12.60		+0.11	–
Xiphias International Investment Fd Ltd				
Xiphias Int USD	$1.0616			–
Xiphias Int ECU	Ecu1.0426			–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. y Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar easier on rate talk

THE DOLLAR continued to edge lower as concern that the US economy has moved back into recession fueled speculation that the Federal Reserve will soon cut the discount rate.

The dollar had begun firmly as the market digested the news from the Soviet Union that three key republics had formed a new commonwealth of independent states.

The US unit advanced to DM1.5750, up just under ¼ pfennig on Friday's closing levels. But the dollar was unable to hold onto its initial gains and drifted down to DM1.5670, before closing at DM1.5740.

Currency dealers said that sentiment remained negative towards the dollar. The Federal Reserve's move on Friday to lower its Federal funds target by ¼ point to 4½ per cent underlined the perception in the market that the American economy is now entering the second phase of a "double dip" recession.

The Fed is expected to follow up with a cut in the discount rate, with some suggesting that it may come as early as this week. The November producer prices and retail sales figures on Thursday could be the opportunity for the Fed to move. But others believe it will wait until its open market committee meeting on December 17.

In any case, there seemed to be widespread agreement that the Fed would wish to cut rates before Christmas, in order to give a boost to consumer confidence.

For much of the European session dealing was quiet. The Maastricht summit and uncertainty about the situation in the Soviet Union were said to be reasons for the lack of foreign exchange business.

The dollar also finished at SFr1.3910 from SFr1.3890; at Y128.40 from Y128.10.

The D-Mark regained its composure after an early bout of weakness following the news from the Soviet Union. The belief that the Bundesbank will keep rates high until the current wage round is over in the spring underpinned the German currency.

Some analysts also said the Soviet developments may not be bad news for the mark since an agreement between three of the largest republics could bring greater stability to the Soviet Union. The mark rose to Y81.70 from Y81.50.

Within the ERM, the mark continued to strengthen. Its lead over the weakest currency rose to 3.72 per cent from 3.46 per cent on Friday.

The mark's strength forced renewed intervention from the Bank of Italy, which sold marks and Ecu's for lira. The mark closed slightly firmer at L756.60.

Sterling was depressed by selling as the mark firmed and as dealers wondered whether the outcome of the Maastricht summit would damage the government's standing. With the UK demanding a slower pace of monetary union, sterling is seen as the most vulnerable to developments at Maastricht. Sterling closed lower at DM2.8425 from DM2.8450; and was weaker at $1.8065 from $1.8105.

£ IN NEW YORK

Dec 9	Latest	Previous Close
£ Spot	1.8100-1.8110	1.8160-1.8170
1 month	0.94-0.92pm	0.88-0.85pm
3 months	2.68-2.65pm	2.64-2.61pm
12 months	9.85-9.75pm	9.73-9.63pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Dec 9	Previous
8.30	am	90.7	90.6
9.00	am	90.7	90.7
10.00	am	90.7	90.6
11.00	am	90.7	90.6
Noon		90.7	90.7
1.00	pm	90.6	90.7
2.00	pm	90.7	90.8
3.00	pm	90.7	90.8
4.00	pm	90.7	90.8

CURRENCY MOVEMENTS

Dec 9	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.7	-20.7
U S Dollar	62.1	-16.8
Canadian Dollar	104.6	+2.9
Austrian Schilling	110.4	+12.6
Belgian Franc	112.3	-0.9
Danish Krone	109.5	+3.9
D-Mark	119.8	+23.5
Swiss Franc	110.1	+17.4
Dutch Guilder	115.3	+17.5
French Franc	103.7	-12.3
Lira	99.0	-19.4
Yen	140.3	+75.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Dec.6

CURRENCY RATES

Dec 9	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.777814	0.715442
U S Dollar	5.00	1.39812	1.29245
Canadian $	8.17	1.58910	1.46861
Austrian Sch	7.50	15.6114	14.3242
Belgian Franc	8.00	45.7080	41.9302
Danish Krone	9.50	8.63619	7.91623
D-Mark	7.50	2.21924	2.03496
Dutch Guilder	8.00	2.49956	2.29319
French Franc	10¼	7.58690	6.95594
Italian Lira	11½	1679.43	1540.34
Japanese Yen	5.00	179.658	165.692
Norway Krone	8	8.74636	8.02157
Spanish Peseta	-	N/A	130.524
Swedish Krona	10.00	8.12587	7.45871
Swiss Franc	7.00	1.96366	1.79585
Greek Drach	19	N/A	233.118
Irish Punt	-	N/A	0.763812

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations * All SDR rates are for Dec.6

OTHER CURRENCIES

Dec 9	£	$
Argentina	17904.1 - 17942.0	9900.00 - 9910.00
Australia	2.3400 - 2.3420	1.2920 - 1.2930
Brazil	1615.95 - 1617.15	893.30 - 893.450
Finland	7.7020 - 7.7150	4.2580 - 4.2610
Greece	322.800 - 328.000	178.600 - 181.450
Hong Kong	14.0560 - 14.0690	7.7700 - 7.7720
Iran	117.25*	65.75*
Korea(Sth)	1358.60 - 1380.50	750.50 - 759.50
Kuwait	0.51485 - 0.51555	0.28470 - 0.28500
Luxembourg	58.40 - 58.50	32.30 - 32.40
Malaysia	4.9525 - 4.9610	2.7410 - 2.7420
Mexico	5499.35 - 5506.00	3040.00 - 3042.00
N.Zealand	3.2420 - 3.2455	1.7945 - 1.7965
Saudi Ar	6.7365 - 6.8135	3.7495 - 3.7505
Singapore	2.9775 - 2.9845	1.6465 - 1.6485
S Af (Cm)	5.0140 - 5.0260	2.7700 - 2.7715
S Af (Fn)	5.5930 - 5.6805	3.0960 - 3.1445
Taiwan	45.65 - 45.75	25.70 - 25.80
U A E	6.5975 - 6.6745	3.6715 - 3.6735

*Official rate. Floating rate £-2510.0 $-1420.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.524	-2.33	5.10	40
Belgian Franc	42.4032	41.9302	-1.12	3.82	44
D-Mark	2.05586	2.03496	-1.02	3.71	52
Dutch Guilder	2.31643	2.29319	-1.00	3.70	39
Irish Punt	0.767417	0.763812	-0.47	3.14	12
Italian Lira	1538.24	1540.34	0.14	2.52	-17
French Franc	6.89509	6.95594	0.88	1.76	-59
Danish Krone	7.84195	7.91623	0.95	1.70	-52
Sterling	0.696904	0.715442	2.66	0.00	-52

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8045 - 1.8140	1.8060 - 1.8070	0.94-0.92cpm	6.18	2.68-2.65pm	5.90
Canada	2.0510 - 2.0590	2.0530 - 2.0540	0.66-0.55cpm	3.54	1.79-1.65pm	3.35
Netherlands	3.1990 - 3.2100	3.2000 - 3.2100	¼-¼cpm	0.94	¾-⅝pm	0.94
Belgium	58.35 - 58.80	58.40 - 58.50	9-4cpm	1.33	18-13pm	1.06
Denmark	11.0340 - 11.0900	11.0475 - 11.0575	1¾-¼orepm	1.15	3-2pm	0.90
Ireland	1.0650 - 1.0705	1.0650 - 1.0660	0.01-0.05cdis	-0.34	par-0.10dis	-0.19
Germany	2.8400 - 2.8505	2.8400 - 2.8450	⅜-¼pfpm	1.32	⅞-¾pm	1.14
Portugal	252.10 - 253.50	252.50 - 253.50	31-70cdis	-2.40	71-155dis	-1.79
Spain	181.75 - 182.95	181.75 - 182.05	30-37cdis	-2.21	82-93dis	-1.92
Italy	2147.40 - 2158.45	2151.00 - 2152.00	3-5lireldis	-2.23	8-10dis	-1.67
Norway	11.1805 - 11.2365	11.2000 - 11.2100	1-1½oredis	-1.34	1½-2dis	-0.62
France	9.7150 - 9.7460	9.7150 - 9.7250	⅝-¼cpm	0.62	1⅝-1¼pm	0.59
Sweden	10.3905 - 10.4460	10.4150 - 10.4250	4¼-5¼oredis	-5.97	8⅞-10dis	-3.62
Japan	231.50 - 232.50	231.50 - 232.50	1-¾ypm	4.53	2⅝-2½pm	4.42
Austria	19.94 - 20.05	19.94 - 19.97	3¼-2¼gropm	1.62	6⅞-4⅞pm	1.17
Switzerland	2.5075 - 2.5175	2.5075 - 2.5175	⅝-½cpm	2.69	1⅝-1½pm	2.49
Ecu	1.3960 - 1.4050	1.3960 - 1.3970	0.01pm-0.03cdis	-0.09	0.04pm-0.02pm	0.09

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.26-5.21cpm. 12 Month 9.85-9.75cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8045 - 1.8140	1.8060 - 1.8070	0.94-0.92cpm	6.18	2.68-2.65pm	5.90
Ireland†	1.6905 - 1.6985	1.6975 - 1.6985	0.84-0.79cpm	5.76	2.45-2.35pm	5.65
Canada	1.1335 - 1.1370	1.1355 - 1.1365	0.23-0.27cdis	-2.64	0.710-0.76dis	-2.59
Netherlands	1.7660 - 1.7780	1.7735 - 1.7745	0.74-0.77cdis	-5.11	2.19-2.23dis	-4.98
Belgium	32.30 - 32.55	32.30 - 32.40	12.00-15.00cdis	-5.01	37.00-42.00dis	-4.88
Denmark	6.1015 - 6.1400	6.1150 - 6.1200	2.40-2.70oredis	-5.00	7.45-8.05dis	-5.07
Germany	1.5665 - 1.5785	1.5735 - 1.5745	0.66-0.68pfdis	-5.11	1.92-1.94dis	-4.90
Portugal	139.65 - 140.20	139.65 - 139.75	100-108cdis	-8.93	265-280dis	-7.80
Spain	100.60 - 102.05	100.70 - 100.80	69-73cdis	-8.46	198-208dis	-8.06
Italy	1183.70 - 1194.25	1190.75 - 1191.25	8.00-8.50lireldis	-8.31	2.30-2.40dis	-0.79
Norway	6.1840 - 6.2225	6.2000 - 6.2050	3.25-3.65oredis	-6.67	9.40-10.00dis	-6.26
France	5.3550 - 5.3940	5.3775 - 5.3825	2.53-2.58cdis	-5.70	7.38-7.48dis	-5.52
Sweden	5.7450 - 5.7855	5.7650 - 5.7700	5.70-5.90oredis	-12.07	14.15-14.45dis	-9.92
Japan	127.85 - 128.45	128.35 - 128.45	0.15-0.16ydis	-1.45	0.47-0.48dis	-1.48
Austria	11.0470 - 11.1000	11.0650 - 11.0700	4.40-4.85grodis	-5.01	13.00-14.30dis	-4.93
Switzerland	1.3830 - 1.3925	1.3905 - 1.3915	0.38-0.41cdis	-3.41	1.18-1.22dis	-3.45
Ecu	1.2860 - 1.2960	1.2915 - 1.2925	0.69-0.66cpm	6.27	1.92-1.85dis	-5.84

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¾ - 10½	11¼ - 10¾	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	4⅝ - 4½	4⅝ - 4½	5 - 4⅞	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾
Can. Dollar	7½ - 7	7½ - 7	7¼ - 7⅛	7⅜ - 7¼	7⅛ - 6⅞	7⅛ - 7
Dutch Guilder	9⅜ - 9¼	9⅝ - 9½	9⅜ - 9¼	9⅜ - 9¼	9⅝ - 9½	9⅝ - 9½
Swiss Franc	7⅝ - 7⅜	7⅝ - 7⅜	8¼ - 8	8⅛ - 7⅞	8⅛ - 7⅞	7⅞ - 7⅝
D-Mark	8⅞ - 8¾	9¼ - 9	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅝ - 9½
French Franc	10⅛ - 10	10⅛ - 10	10⅛ - 10	10⅛ - 9⅞	10 - 9⅞	9⅞ - 9¾
Italian Lira	12 - 10	12¼ - 11¾	13 - 12½	12½ - 12	12¼ - 11¾	12⅛ - 11⅞
Belgian Franc	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅝ - 9½	9⅝ - 9½
Yen	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6¼ - 6	5⅞ - 5¾	5⅞ - 5⅝
Danish Krone	9⅛ - 8⅞	9¼ - 9	9½ - 9⅜	9⅝ - 9½	9⅞ - 9⅝	9⅞ - 9¾
Asian $Sing.	3 - 2⅞	3 - 2⅞	3 - 2⅞	3⅛ - 2⅞	3⅜ - 3¼	3½ - 3⅜

Long term Eurodollars; two years 5⅜-5¼ per cent; three years 6-5⅞ per cent; four years 6⅜-6¼ per cent; five years 6⅝-6½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.9	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.807	2.843	232.0	9.720	2.513	3.205	2152	2.054	58.45	1.397
$	0.553	1	1.573	128.4	5.379	1.391	1.774	1191	1.137	32.35	0.773
DM	0.352	0.636	1	81.60	3.419	0.884	1.127	756.9	0.722	20.56	0.491
YEN	4.310	7.789	12.25	1000.	41.90	10.83	13.81	9276	8.853	251.9	6.022
F Fr.	1.029	1.859	2.925	238.7	10.	2.585	3.297	2214	2.113	60.13	1.437
S Fr.	0.398	0.719	1.131	92.32	3.868	1	1.275	856.3	0.817	23.26	0.556
N Fl.	0.312	0.564	0.887	72.39	3.033	0.784	1	671.5	0.641	18.24	0.436
Lira	0.465	0.840	1.321	107.8	4.517	1.168	1.489	1000.	0.954	27.16	0.649
C$	0.487	0.880	1.384	113.0	4.732	1.223	1.560	1048	1	28.46	0.680
B Fr.	1.711	3.092	4.864	396.9	16.63	4.299	5.483	3682	3.514	100.	2.390
Ecu	0.716	1.293	2.035	166.1	6.958	1.799	2.294	1540	1.470	41.84	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
92	3-58	4-19	0-15	0-39
93	3-01	3-34	0-25	0-54
94	2-16	2-55	0-40	1-11
95	1-39	2-17	0-63	1-37
96	1-06	1-49	1-30	2-05
97	0-46	1-23	2-06	2-43
98	0-30	1-01	2-54	3-21
99	0-18	0-49	3-42	4-05

Estimated volume total, Calls 975 Puts 482
Previous day's open int. Calls 14847 Puts 12009

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
97	4-00	3-27	0-38	0-57
98	3-14	2-49	0-42	1-15
99	2-32	2-12	0-60	1-42
100	1-58	1-44	1-22	2-10
101	1-27	1-18	1-55	2-48
102	1-02	0-61	2-30	3-27
103	0-46	0-44	3-10	4-10
104	0-31	0-31	3-59	4-61

Estimated volume total, Calls 0 Puts 2
Previous day's open int. Calls 796 Puts 688

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8500	1.66	2.15	0.17	0.33
8550	1.26	1.78	0.27	0.46
8600	0.92	1.44	0.43	0.62
8650	0.64	1.15	0.65	0.83
8700	0.43	0.89	0.94	1.07
8750	0.27	0.69	1.28	1.37
8800	0.17	0.52	1.68	1.70
8850	0.10	0.38	2.11	2.06

Estimated volume total, Calls 5837 Puts 1692
Previous day's open int. Calls 86272 Puts 37841

LIFFE EUROMARK OPTIONS DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8950	0.91	1.23	0	0
8975	0.66	0.98	0	0.01
9000	0.41	0.74	0	0.02
9025	0.18	0.50	0.02	0.04
9050	0.01	0.29	0.10	0.07
9075	0	0.13	0.34	0.13
9100	0	0.05	0.59	0.23
9125	0	0.02	0.84	0.36

Estimated volume total, Calls 185 Puts 400
Previous day's open int. Calls 44658 Puts 33322

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9500	1.96	2.23	0.18	0.43
9550	1.56	1.88	0.28	0.58
9600	1.18	1.56	0.40	0.76
9650	0.88	1.27	0.60	0.97
9700	0.62	1.02	0.84	1.22
9750	0.42	0.80	1.14	1.50
9800	0.27	0.62	1.49	1.82
9850	0.16	0.47	1.88	2.17

Estimated volume total, Calls 70 Puts 64
Previous day's open int. Calls 2526 Puts 1422

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8850	0.78	1.13	0	0.01
8875	0.53	0.90	0	0.03
8900	0.29	0.68	0.01	0.06
8925	0.08	0.48	0.05	0.11
8950	0.02	0.31	0.24	0.19
8975	0	0.19	0.47	0.32
9000	0	0.11	0.72	0.47
9025	0	0.06	0.97	0.62

Estimated volume total, Calls 3554 Puts 3030
Previous day's open int. Calls 87716 Puts 66469

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT * £50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	95-02	95-13	95-02	95-11
Mar	95-13	95-24	95-10	95-20

Estimated volume 34402 (48780)
Previous day's open int. 9091 (47347)

US TREASURY BONDS 8% * $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	101-16	101-19	101-14	101-00
Mar	100-16	101-21	100-14	100-01

Estimated volume 3142 (3190)
Previous day's open int. 1559 (2704)

6% NOTIONAL GERMAN GOVT. BOND * DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	86.49	86.75	86.55	86.56
Jun	86.82			86.89

Estimated volume 39535 (72040)
Previous day's open int. 16755 (66056)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	101-20	101-20	101-10	101-15
Mar	100-19	100-22	100-10	100-16
Jun	-	99-20	99-11	99-15
Sep	98-19	98-18	98-14	98-15
Dec	97-19	97-19	97-29	97-15
Mar	96-19	96-19	96-19	96-18
Jun	-	-	-	95-22
Sep	-	-	-	94-27
Dec	-	-	-	94-02
Mar	-	93-20	93-20	93-11

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Dec	95.79	95.79	95.78	95.75
Mar	96.03	96.04	96.02	95.97
Jun	95.96	95.97	95.95	95.89
Sep	95.78	95.78	-	95.72
Dec	95.34	95.34	-	95.26

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7799	0.7805	0.7794	0.7804
Mar	0.7773	0.7777	0.7768	0.7778
Jun	-	-	-	0.7758
Sep	-	0.7745	0.7735	0.7747

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.6365	0.6369	0.6345	0.6371
Mar	0.6287	0.6294	0.6267	0.6295
Jun	0.6195	0.6200	0.6195	0.6221

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Dec	95.36	95.37	95.35	95.27
Mar	95.56	95.57	95.54	95.48
Jun	95.42	95.43	95.39	95.34
Sep	95.21	95.22	95.18	95.12
Dec	94.67	94.68	94.65	94.60
Mar	94.45	94.45	94.43	94.38
Jun	94.03	94.04	94.01	93.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH POUND (IMM) $s per £

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

[illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

[illegible]

6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES

[illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

[illegible]

CAC-40 FUTURES (MATIF) Stock index

[illegible]

ECU BOND (MATIF)

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
105	1.56	-	-	0.59	-	-
106	0.96	1.73	-	0.97	-	-
107	0.54	-	-	1.56	-	-
108	0.29	0.83	-	-	-	-
Open Int	133,098	11,444	50	82,490	10,979	100

Estimated volume 16,459 Total Open Interest 238,151

THREE-MONTH EUROMARK * DM1m points of 100% — **THREE-MONTH EURODOLLAR * $1m points of 100%** — **THREE MONTH ECU** — **THREE MONTH EURO SWISS FRANC SFR 1m points of 100%** — **FT-SE 100 INDEX * £25 per full index point** — **FT-SE EUROTRACK 100 INDEX* DM50 per full index point**

[illegible]

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8065	1.7972	1.7799	1.7542	1.7085

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit. Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

MONEY MARKETS

Rates stable

EUROPEAN money market rates were little changed yesterday as speculation about a rise in German interest rates eased slightly. But US rates were lower following Friday's reduction in short-term interest rates.

German short-term rates continued to fall following the Bundesbank's decision last week to leave monetary policy unchanged. There was also growing suggestions that the German central bank may not raise rates at its next council meeting on December 19.

But operators expect the Bundesbank to keep policy tight, at least until the current round of wage negotiations is completed in the spring.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The German interest rate futures market was weaker early on following the news from the Soviet Union that three key Soviet republics had decided to form a "commonwealth of independent states."

But the firmer D-Mark prevented larger losses and the March Euro-mark contract finished 5 points lower at 90.72. Call money was at 9.00-9.10 per cent from 9.10-9.15 per cent.

The Bundesbank's securities repurchase agreements will be closely watched for any hint, though, of a rise in rates. The Bundesbank will announce the details of its latest repo today.

The Maastricht summit also caused a quieter spell in the European markets. Swiss rates were slightly easier, while sterling and French rates were firmer.

A modest decline in sterling depressed the UK interest rate futures market. The March short sterling contract fell 5 points to 89.62, which still implies no change in base rates by the end of that month.

In the money market, the key three months inter-bank rate was little changed at 10 9/16-10 7/16 per cent.

Short-term money rates were also steady as the market correctly anticipated the Bank of England would forecast a large liquidity shortage.

The shortage of £1.4bn was later revised to £1.5bn. The unwinding of bill purchases by the Bank of England created the shortage.

In its initial forecast, this accounted for £1.236bn of the shortage; bills for repurchase by the market drained a further £808m; while bankers' balances below target absorbed another £135m. In its early operations the Bank bought £445m of bills, before lunch it purchased a further £625m. During the afternoon, it bought £63m and provided late assistance of £240m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.9) 3 months US dollars		6 months US Dollars	
bid 4½	offer 4⅝	bid 4¾	offer 4⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	7½	One month	4.05	Three year	5.48
Broker loan rate	6¾	Two month	-	Four year	5.85
Fed.funds	4½	Three month	4.28	Five year	6.22
Fed.funds at intervention	-	Six month	4.32	Seven year	6.74
		One year	4.44	10-year	7.24
		Two year	5.09	30-year	7.80

Dec.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.00-9.10	9.30-9.50	9.30-9.50	9.30-9.50	9.30-9.50	9.25
Paris	10⅛-10¼	10-10⅛	9 15/16-10 1/16	9 15/16-10 1/16	9⅞-10	9.25
Zurich	6⅝-6⅞	8¼-8⅜	-	8-8¼	-	-
Amsterdam	9.38-9.50	9.50-9.70	-	9.48-9.63	-	-
Tokyo	6⅝-6⅞	6⅝-6 13/16	-	6⅛-6¼	-	-
Milan	11¼-12⅝	12⅛-12¼	-	12⅞-13	-	-
Brussels	9.18-9.31	9½-9⅝	-	9½-9⅝	-	-
Dublin	9⅞-10	10⅜-10⅝	10⅜-10⅝	10⅜-10½	10⅜-10½	-

LONDON MONEY RATES

Dec 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10¾	10¾	10⅝	10 9/16	10 9/16
Interbank Bid	10	10½	10⅝	10½	10 7/16	10 7/16
Sterling CDs	-	-	10 9/16	10½	10 7/16	10⅜
Local Authority Deps.	10½	10½	10⅝	10⅝	10⅝	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¾	10 9/16	-	-	-	-
Company Deposits	-	-	10 11/16	10 11/16	10 11/16	10 11/16
Finance House Deposits	-	-	10¾	10 11/16	10 11/16	10 11/16
Treasury Bills (Buy)	-	-	10⅜	10⅜	9 13/16	-
Bank Bills (Buy)	-	-	10⅜	10 5/16	10	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.92	4.55	4.48	4.57
SDR Linked Dep. Offer	-	-	6¾	6 11/16	6⅝	6⅝
SDR Linked Dep. Bid	-	-	6⅝	6⅝	6½	6½
ECU Linked Dep. Offer	-	-	10 11/16	10 11/16	10½	10⅜
ECU Linked Dep. Bid	-	-	10⅝	10⅝	10⅜	10¼

Treasury Bills (sell); one-month 10 5/16 per cent; three months 10 5/16 per cent; six months 9 13/16 per cent; Bank Bills (sell); one-month 10 5/16 per cent; three months 10 5/16 per cent; Treasury Bills; Average tender rate of discount 10.0850 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 29, 1991. Agreed rates for period Dec.25, 1991 to January 25, 1992, Scheme I: 11.74 p.c., Schemes II & III: 11.75 p.c. Reference rate for period November 1, 1991 to November 29, 1991, Scheme IV&V: 10.513 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from December 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

NOTICE OF MEETING OF CREDITORS
ECLIPSE TRADING ESTATE (ALCESTER) LIMITED
(JOINT ADMINISTRATIVE RECEIVERS APPOINTED)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above named company will be held at The grand Hotel, Colmore Row, Birmingham B3 2DA on 19 December 1991 at 11.00 am, for the purposes mentioned in Section 48 and 49 of the said Act.

A person is only entitled to vote at this meeting if:-
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and :
(b) such claim has been duly admitted, and :
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.

Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.
If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT.

Dated this 5 December 1991
David J. Corney
Joint Administrative Receiver

NOTICE OF MEETING OF CREDITORS
BRUDER ASSOCIATES LIMITED
(JOINT ADMINISTRATIVE RECEIVERS APPOINTED)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham B3 2DA on 19 December 1991 at 11.30 am, for the purposes mentioned in Section 48 and 49 of the said Act.

A person is only entitled to vote at this meeting if :-
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and
(b) such claim has been duly admitted, and
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.

Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.
If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT.

Dated this 5 December 1991.
David J. Corney
Joint Administrative Receiver

PERSONAL

MR. C. J. C. BOARDMAN, MS J. F. WASTENEYS-CARRICK. The marriage took place on Saturday at All saints Feering, between Mr Christopher Boardman, eldest son of Mr & Mrs Gwyther Boardman and Ms Julia Carrick, daughter of the late Dr David Carrick and of Mrs Muriel Carrick of Feering. The Rev. Aubrey Moody officiated. The bride was given in marriage by Mr John Griffiths and attended by Isabelle & Matthew Cooper, Georgina & Emma Phillips, Georgina Boardman and Alexander Bridgeman. Doctor Rory Symonds was best man. The reception was held at Braxted Park. The honeymoon is being spent abroad. Many, many thanks.

MONEY MARKET FUNDS

Money Market Trust Funds

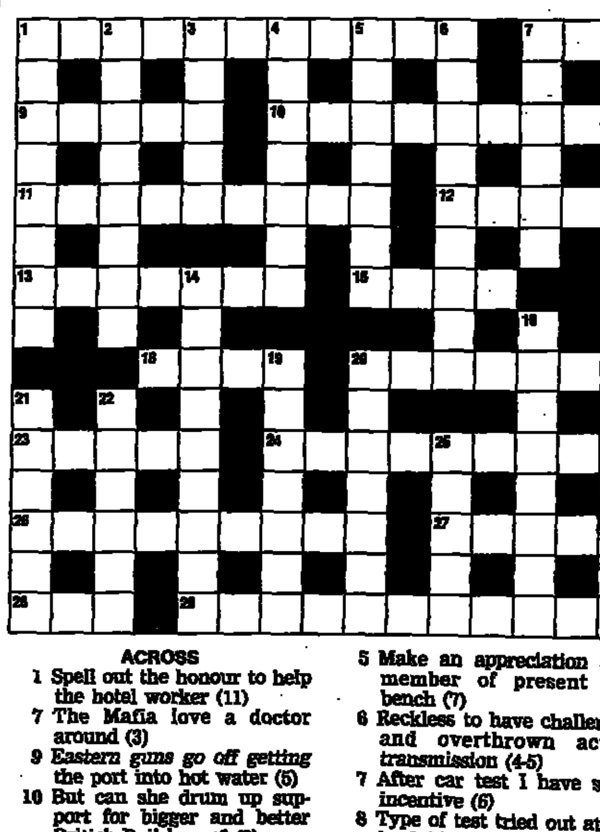
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,720 Set by ADAMANT



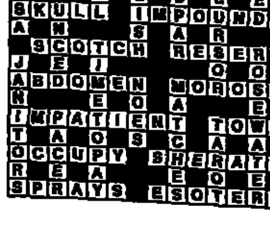
ACROSS

1 Spell out the honour to help the hotel worker (11)
7 The Mafia love a doctor around (3)
9 Eastern guns go off getting the port into hot water (5)
10 But can she drum up support for bigger and better British Rail losses? (9)
11 Looked like having got together again with a second to lose (9)
12 Cover up for two around five (5)
13 Talk about the mad party giver (7)
15 Feel a grudge against the ambassador with nothing to lose (4)
18 Unlock the keys to the island (4)
20 Ship wrecked - all gone (7)
23 Make a successful takeover bid (5)
24 Able to function despite cut about four (9)
26 Working out the right policy (9)
27 Some of the gold enamelling comes from ancient days (5)
28 Hesitate to take a central pitch (3)
29 Calling Eve a representation of passionate advocacy (11)

DOWN

1 Make a reduction – it's a bargain! (8)
2 The month has a bearing on classic style (8)
3 Economic miracle has a point – go for bust! (5)
4 Enthusiastic walker rose from the bed (7)
5 Make an appreciation of a member of present day bench (7)
6 Reckless to have challenged and overthrown actual transmission (4-5)
7 After car test I have some incentive (6)
8 Type of test tried out at the bar? (6)
14 Happen to get a medal (4,5)
16 From time to time quietly throw the dice at Capital Centre (8)
17 Hospital doctor, a student of what lies below the surface (8)
19 Formerly having an ear for a lot of strange things (7)
20 One on flying visit to ageing prisoner? (4-3)
21 Clergyman fetching out the big guns (6)
22 One who has to make the roll call? (6)
25 Everyone takes to the island (5)

Solution to Puzzle No.7,719



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 6	Dec 5	Dec 4	Dec 3	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
●Industrials	2886.40	2889.09	2911.67	2929.56	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.85	97.72	97.63	97.65	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1198.62	1203.85	1219.36	1223.28	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.14	218.77	219.70	220.64	221.64 (2/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

●Day's High 2924.87 (2923.75) Low 2854.65 (2874.78)

STANDARD AND POOR'S

	Dec 6	Dec 5	Dec 4	Dec 3	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	379.10	377.39	380.07	380.96	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	446.75	444.90	447.83	449.02	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.02	29.90	30.30	30.41	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	209.74	208.96	210.13	210.55	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	372.63	371.80	372.32	372.45	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	536.30	534.03	535.28	533.34	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 29	Nov 22	Nov 15	year ago (approx.)
Dow Industrial Div. Yield	3.15	3.15	3.10	4.01

	Dec 4	Nov 27	Nov 20	year ago (approx.)
S & P Industrial div. yield	2.80	2.82	2.80	3.42
S & P Indl. P/E ratio	22.98	22.78	22.79	15.37

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
IBM	2,698,500	89	- 1¼
Pepsico	2,644,500	30¼	...
Gen Elec	2,600,300	63⅞	- 1½
Wal-Mart	2,415,400	51¼	+ ⅛
RJR Nabisco	2,231,100	10⅞	- ⅛
BankAmer	2,117,500	31⅞	....
Am T & T	2,104,800	37¼	+ ¼
Gen Motors	1,954,200	29½	—
Philip Morris	1,878,300	67⅞	- ⅛
Boeing	1,702,300	43	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	Dec 6	Dec 5	Dec 4
New York SE	198.170	166.501	187.934
Amex	16.826	21.702	13.806
NASDAQ	171.831	170.632	167.288
NYSE			
Issues Traded	2,164	2,175	2,142
Rises	853	604	759
Falls	769	1,030	842
Unchanged	542	541	541
New Highs	71	50	46
New Lows	72	62	43

CANADA

TORONTO	Dec 6	Dec 5	Dec 4	Dec 3	1991 HIGH	1991 LOW
Metals & Minerals	2796.48	2781.30	2805.31	2834.08	3299.99 (18/7)	2632.06 (9/1)
Composite	3426.53	3426.63	3427.47	3453.41	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1817.78	1815.84	1811.57	1825.15	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 9	Dec 6	Dec 5	Dec 4	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1580.7	1583.8	1608.2	1614.8	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	629.4	627.9	641.7	646.0	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	388.77	396.43	400.38	404.29	524.81 (16/4)	385.58 (4/1)
BELGIUM						
BEL20 (1/1/91)	(u)	1066.14	1069.46	1077.60	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	349.73	350.49	351.24	351.85	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	801.4	(c)	803.8	812.0	1186.9 (8/4)	801.4 (9/12)
FRANCE						
CAC General (31/12/82)	459.52	467.01	467.46	472.91	503.51 (15/11)	394.86 (15/1)
CAC 40 (31/12/87)	1663.37	1685.72	1703.23	1713.93	1887.29 (2/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	638.77	638.02	636.10	641.47	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1804.60	1801.80	1795.80	1812.30	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1559.05	1558.18	1553.42	1560.96	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4203.20	4190.04	4157.15	4161.59	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1344.60	1337.99	1342.39	1356.08	1520.65 (15/3)	1114.26 (25/1)
ITALY						
Banca Com. Ital. (1972)	487.23	494.63	502.89	509.01	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22352.88	22445.06	22459.17	22669.44	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1702.43	1706.15	1714.87	1728.47	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2489.49	2498.02	2496.33	2498.50	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	531.42	530.33	529.32	529.41	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	269.9	269.5	271.6	273.1	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	189.5	189.3	190.8	191.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	650.72	634.62	623.72	620.94	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1111.42	1102.45	1115.57	1104.29	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	388.95	389.31	389.69	390.42	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1287.04	1239.0	1219.0	1225.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4172.04	4158.0	4158.0	4164.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	615.70	635.17	621.04	631.59	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	(c)	(c)	244.68	245.75	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	912.60	926.40	918.00	929.10	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	713.1	710.8	714.8	720.4	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	581.3	580.1	583.7	588.3	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4473.82	4378.13	4340.09	4378.13	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	701.51	687.39	(c)	670.07	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	502.2*	502.3	500.6	502.9	529.2 (17/4)	439.1 (16/1)

**Saturday December 7: Taiwan Weighted Price: 4501.90, Korea Comp Ex 619.88
& Subject to official recalculation
*Calculated at 15.00 GMT.
Base values of all indices are 100 except BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 9 December 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	6.2	843	+3	Toho Gas	2.0	486	+1
Chugoku Marine	4.4	1,070	0	Mitsubishi Heavy	1.8	673	0
Osaka Gas	3.5	593	+4	Okamoto	1.7	1,100	-40
Mitsubishi Bank	2.3	942	+47	Rasa Industries	1.6	823	-34
Mitsui Mining	2.1	380	-15	Nippon Mining	1.4	523	-7

3:30 pm prices December 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote	Ch'ge Close Prev. Close
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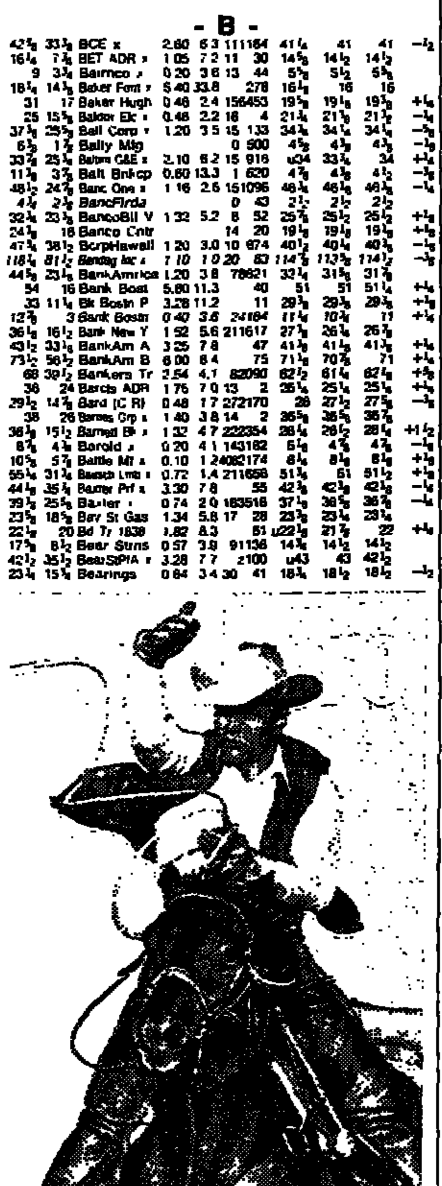

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NYSE COMPOSITE PRICES

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- X - Y - Z -

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
66	35¼	Xerox x	3.00	4.7	59	1550	63⅝	63½	63⅝	-⅛
51¾	43¼	Xerox4.125 x				5	51	51	51	
25¼	14⅝	Xtra 1.94				102	23½	23½	23½	+½
29¾	14¼	Xtra Corp	0.72	2.8	13	31	27½	27¼	27¼	-⅛
27⅞	21¼	Yankee Egy x	1.60	6.3	12	38	25½	25¼	25⅜	-½
1½	⅛	Zapata			49	1380	⅛	d½	½	
9⅞	5¼	ZenithElec			2	331	7⅜	7¼	7⅜	
18½	12	Zenith Nat	1.00	6.8	122	8	14¾	14¾	14¾	
6⅞	4½	Zenix Inc	0.84	13.7		189	6⅛	6	6⅛	
16⅛	10¼	Zero Corp	0.40	3.8	13	213	11	10½	10⅝	
41⅞	29½	Zurn Ind x	0.88	2.8	13	290	32¼	32	32	-⅛
13½	10¼	Zweig Fund	1.16	9.1		184	12¾	12⅝	12¾	+⅛
10½	8½	Zweig Tot x	0.96	9.6		431	10¼	10⅛	10⅛	-⅛

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked as xd early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months. estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:15 pm prices December 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oriel Corp	0.14	8	402	7⅞	7⅝	7⅞	+⅛
Pall Corp	0.44	24	2103	33⅞	33¼	33¼	-⅞
Pegasus G		8	343	12⅞	12⅝	12⅝	+⅛
Perini		6	111	10	9¾	9¾	
Pet HlP x	0.31	7	44	10⅝	10½	10⅝	+⅛
Phil LD x	0.18	13	798	u31¾	31⅛	31½	+¾

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NASDAQ NATIONAL MARKET

3:30 pm prices December 9

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- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	537	27¾	26¾	26¾	-½
XL Data		31	89	10½	10⅜	10⅜	
Xoma Corp		11	4843	20¼	19¼	19¼	-¾
Yellow Fr	0.94	84	1986	25⅝	25⅜	25⅜	
York Rsch		58	454	7	6¾	7	+¼
ZionsUtah	1.44	8	166	41	39½	40¼	+¾

AMERICA

Dow stays in narrow band in spite of rate cut hopes

Wall Street

Hopes of further interest rate cuts failed to stimulate buying interest on US stock markets yesterday morning. By early afternoon share prices were stuck in a narrow trading range close to opening values, *writes Patrick Harverson in New York.*

At 1 pm the Dow Jones Industrial Average was up 5.82 at 2,892.22, never having strayed more than a few points from last Friday's close. The more broadly based Standard & Poor's 500 was also becalmed, up just 1.15 at 380.25 at 1 pm, while the Nasdaq composite of over-the-counter stocks edged 1.36 higher to 537.66. Turnover on the NYSE was 99m shares by 1 pm. Declines outpaced rises by 822 to 689, evidence of the market's weak underlying tone.

In the wake of last week's surprisingly large rise in November unemployment, and the Federal Reserve's swift reaction in the shape of a cut in the fed funds rate, hopes were high yesterday that a further easing of monetary policy was being prepared. Attention quickly focused on the December 17 meeting of the policy making Federal Open Market Committee, which some analysts predicted would sanction another rate cut to stimulate the struggling economy.

Among individual stocks, IBM eased $¼ to $88¾ to reach a new 12-month low as the computer manufacturer's senior management gave a presentation to analysts and press in New York. Although IBM revealed little that was new, the presentation included a forecast of single-digit revenue growth in 1992 but longer term underperformance in IBM revenue growth compared to the rest of the industry.

The IBM story left other big computer stocks unimpressed, with Compaq steady at $23⅝, Digital Equipment $¼ higher at $57¾, Unisys unchanged at $4⅛, and Hewlett-Packard $⅛ lighter at $49⅛.

Browning-Ferris rose $⅞ to $18 after Goldman Sachs, a leading Wall Street broking house, issued a "trading buy" recommendation on the stock. The shares are also on the recommended or hold lists on several other firms, with analysts arguing that Browning-Ferris stock is undervalued. The company is due to give a presentation tomorrow at a conference hosted by Morgan Stanley.

RJR Nabisco, the tobacco and food group which has been vigorously deleveraging of late, rose $¼ to $10⅝ in turnover of 1.7m shares after two big ratings agencies, Standard & Poor's and Moody's Investor Services, upgraded their ratings for the company's debt. S&P said that its upgrade reflected the improvement in the strength of RJR's balance sheet in the wake of the just-completed exchange of $1.7bn of new common stock for preferred stock, and other recent issues of securities which have been used to reduce debt.

A H Belo rose $4⅝ to $29¼ after it was revealed over the weekend that the publishing and media group's Dallas Morning News would buy the assets of its city rival, the Dallas Times Herald, which closed yesterday.

SAO PAULO's Bovespa index jumped 7.8 per cent to 40,561 in heavy trading by midday yesterday, on optimism that Brazil will reach agreement with the International Monetary Fund on a $2bn loan. Turnover was $17.2m. Telebras, the state-controlled telecommunications company, rose 9 per cent in active trading.

Canada

TORONTO consolidated at lower levels at midday, after a weak opening. The composite index fell 20.83 to 3,405.70, with the financial services index losing 36.86 to 2,761.59 and the oil and gas index losing 37.05 to 3,265.18.

Among active stocks, Toronto Dominion Bank fell C$⅝ to C$17⅝ while Laidlaw B shares rose C$⅛ to C$9. Canadian Pacific eased C$⅝ to C$16⅝.

Europe and Japan drag down rest of world

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	−2.99	−5.02	−13.17	−10.40	−9.70	−15.29
Belgium	−0.22	−2.71	+4.07	+7.28	+9.08	+2.32
Denmark	−0.99	−5.10	+14.93	+17.56	+18.45	+11.12
Finland	−4.02	−7.05	−14.39	−11.98	−20.07	−25.01
France	−3.00	−6.42	+2.00	+11.27	+12.32	+5.37
Germany	−0.76	−3.37	−1.27	+5.54	+7.04	+0.42
Ireland	−1.11	−6.10	+9.45	+10.49	+12.34	+5.40
Italy	−4.38	−1.53	−8.74	−4.59	−3.51	−9.48
Netherlands	−1.35	−4.96	+12.87	+13.89	+15.63	+8.48
Norway	+0.42	−13.80	−17.03	−12.33	−11.37	−16.86
Spain	−0.72	−4.77	+6.69	+11.93	+12.04	+5.10
Sweden	−2.86	−10.34	+1.63	+9.64	+14.16	+7.11
Switzerland	−1.09	−6.81	+11.47	+16.70	+14.18	+7.13
UK	−1.60	−7.20	+9.35	+11.03	+11.03	+4.16
EUROPE	−1.70	−6.14	+5.25	+9.37	+9.87	+3.06
Australia	−1.13	−8.84	+20.59	+24.36	+33.88	+25.60
Hong Kong	+1.09	−1.28	+35.54	+40.99	+50.77	+41.43
Japan	−1.84	−7.60	+3.90	−0.61	+12.20	+5.24
Malaysia	−0.37	−0.45	+3.93	−2.46	+2.55	−3.80
New Zealand	−3.98	−7.46	+7.40	+11.37	+13.02	+5.99
Singapore	−1.54	−4.42	+24.47	+22.41	+37.49	+28.98
Canada	−0.66	−3.94	+3.16	+2.48	+11.59	+4.68
USA	+1.07	−3.27	+16.23	+15.89	+23.53	+15.89
Mexico	−0.65	−0.54	+126.54	+132.73	+140.90	+125.99
South Africa	−1.37	−0.23	+30.35	+29.78	+52.73	+43.27
WORLD INDEX	−0.66	−5.35	+9.73	+9.20	+16.78	+9.55

† Based on December 6th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

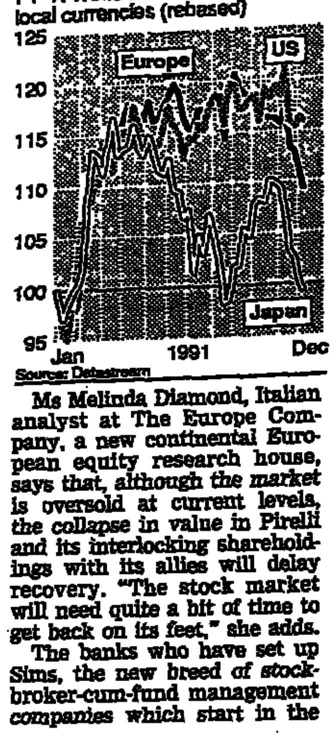
By Antonia Sharpe

EUROPE and the Pacific were the weak performers in global equity markets last week, the first dragged down by Italy, France and Finland and the second weighed down by the renewed slide in Japan.

According to the FT-Actuaries indices, both Europe and the Pacific fell 1.7 per cent on the week in local currency terms, compared with a decline of just 0.7 per cent in the world index. The US has been outperforming Europe since early October, while Japan, which itself supported the world index a few months ago, has lost foreign and domestic support as it once again approaches its lows for 1991.

Revelations of big losses at tyre manufacturer Pirelli, mainly as a result of indemnity pacts with its allies in the failed bid for Continental, of Germany, sent Italy skidding by 4.4 per cent last week. However, this disguised larger falls in individual shares. Pirelli SpA, for example, plummeted 34 per cent on the week.

FT-A World indices in local currencies (rebased)



Source: Datastream

Ms Melinda Diamond, Italian analyst at The Europe Company, a new continental European equity research house, says that, although the market is oversold at current levels, the collapse in value in Pirelli and its interlocking shareholdings with its allies will delay recovery. "The stock market will need quite a bit of time to get back on its feet," she adds.

The banks who have set up Sims, the new breed of stockbroker-cum-fund management companies which start in the new year, could engineer a technical rally in the first few months of 1992, a relatively easy task in such low trading volumes. However, Ms Diamond does not expect a rally driven by fundamentals until the second half of next year.

France, touted by many brokers in October as the likely outperformer in the final quarter, continued to be depressed by interest rate uncertainty.

One analyst says that the Bundesbank's decision not to raise interest rates last week condemned Paris to another two weeks of jitters. However, prospects for the first quarter of 1992 are respectable: French economic growth is expected to be better than in other European countries and is sensitive to changes in sentiment, on interest rates in particular.

Elsewhere in Europe, Finland fell 4 per cent to a year's low, in the wake of the currency devaluation in mid-November which has prompted foreign selling of free shares.

New Zealand was the worst performer in the Pacific Rim, losing 3.9 per cent on the week, on foreign selling ahead of the end of the year.

ASIA PACIFIC

Tokyo volume shrinks to lowest level since 1984

Tokyo

SHARE PRICES declined marginally as volume fell to a seven-year low yesterday, on worries about the course of the Japanese economy, supply and demand of stock, and the political situation in the Soviet Union, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 92.18 to 22,352.88 after moving in a narrow range between 22,251.30 and 22,435.05. Light selling related to arbitrage unwinding depressed the index.

Volume shrank from 200m to 130m shares, the lowest level since May 1984. Turnover on the Tokyo Stock Exchange's first section has remained below 300m shares since November 21.

Declines led advances by 478 to 399, with 211 issues unchanged. The Topix index of all first section stocks slipped 3.72 to 1,702.43 and, in London trading, the ISE/Nikkei 50 index eased 3.10 to 1,265.54.

Foreign investors, who had been leading buyers of the Tokyo market in the past two months, were small-lot sellers. "Buying by overseas investors has died down during the past few weeks," said Mr Dan Kerrigan at County NatWest.

Domestic institutions have been unnerved by recent evidence of the economic slowdown and lower corporate earnings forecasts for the current year. Investors were waiting for the Bank of Japan's tankan, the quarterly survey of business, due today.

Investors were also reluctant to trade ahead of the December futures settlements on Friday. An estimated Y900bn worth of cash stock is held against December futures. Market participants feared that excess supply created by arbitrage-related selling in the current thin volumes would depress share prices.

Export-oriented high-technology issues lost ground on small-lot selling. Investors were discouraged by the prolonged weakness in the US economy. Sony fell Y30 to Y4,220 and Fujitsu Y12 to Y816.

The only substantial trading was in speculative issues. Toyo Ink, the most active stock of the day, put on Y3 to Y843 on large-lot buying by individual investors.

In Osaka, the OSE average declined 83.49 to 24,160.55 in volume of 15m shares. Engineering, pharmaceutical and machinery shares fell on small-lot selling. Toyo Sanso, a speculative favourite, lost Y120 to Y1,500 as margin liquidations continued to depress the issue.

Roundup

DOMESTIC factors left Pacific Rim markets mixed.

SEOUL looked for measures to boost the equity market and heard, instead, of a move to ease liquidity in South Korea's financial system, which could help to bail out small and medium-sized companies threatened by bankruptcy.

Holders of monetary stabilisation bonds due to mature in December, which would normally be replaced by new bonds, will be allowed to redeem them for cash. This will improve the money supply, but it did not help the equity market yesterday as the composite index finished 4.18 lower at 615.70.

AUSTRALIA weakened in early dealing, mainly on concern about political instability following the replacement of the country's treasurer last Friday. But local investors then started buying and the All Ordinaries index closed only 3.0 off at 1,580.8, in turnover of A$242m (A$201m).

TNT rose 7 cents to A$1.41. It announced plans to sell a 75 per cent stake in its US trucking operations in a debt reduction move.

NEW ZEALAND fell as foreign selling orders resumed. The NZSE-40 index closed 16.36, or 1.1 per cent, lower at 1,428.68 after a 3.3 per cent drop last week.

Turnover fell from NZ$24.3m to NZ$14.6m but there were still some block sales in Carter Holt, the forestry group, which shed 5 cents to NZ$2.08 on 2.3m shares, including a parcel of 1.5m sold at NZ$2.10 each.

TAIWAN saw turnover rise from T$24.7bn to T$37.7bn, but profit-taking hit financial shares and the weighted index, which rose 102.02 on Saturday, lost 28.08 to 4,473.82.

HONG KONG advanced in quiet trading, although profit-taking pulled shares off the session's highs. The Hang Seng index closed 13.16 up at 4,203.20 in turnover of HK$1.18bn, against Friday's HK$1.21bn.

MANILA's composite index gained 8.97 to 1,111.42, helped by strength in Philippine Long Distance Telephone, which appreciated 22.5 pesos to 810 pesos. BANGKOK featured optimism over political stability and interest rate cuts, and the SET index climbed 14.12 to 701.71.

SINGAPORE was steady in lethargic trade, the Straits Times Industrial index edging up 0.19 to 1,430.74. Turnover fell to S$36m from S$60m. KUALA LUMPUR ended slightly higher on late buy orders for blue chip stocks. The composite index firmed 1.09 to 531.42 in volume of 21m shares, down from 23m.

JAKARTA reported active local and foreign buying as the index added 2.62 at 245.61.

BOMBAY fell sharply on recession fears. The BSE index dropped 19.38 to 1,879.73.

EUROPE

Asko shares fall 11 per cent on Adia results

INDIVIDUAL share price movements stood out yesterday in thin trading, as institutions concentrated on closing their books before the year-end. Madrid remained on holiday, *writes Our Markets Staff.*

FRANKFURT joined the rising number of bourses marked with entrepreneurial blight as Asko fell DM74 or 11 per cent to DM605, down DM200 or 25 per cent in the two weeks since November 25.

The latest fall stemmed directly from the zero net earnings and passed dividend for 1990-91 reported by Asko's Swiss associate, Adia, the temporary employment company, on Friday. There are arguments that Asko's basic retailing business is sound and that new top management can only be good for the company.

Ms Barbara Schumacher at Merck Finck in Düsseldorf said that she preferred to reserve judgment on these points ahead of the rights issue planned by Asko for the new year.

Equities were generally flat yesterday, the DAX index closing 0.87 higher at 1,559.05 after a rise of 0.75 to 638.77 in the FAZ at midsession. Volume fell from DM3.3bn to DM3bn. Commerzbank ended DM1.40 higher at DM244, and Bayernverein was unchanged at DM401 after good profits for the first 10 months of 1991.

PARIS was unable to shake off the depression of recent sessions. The CAC 40 index closed 22.35 or 1.3 per cent down at 1,663.37, near its day's low after a short-lived rebound at midsession. Turnover was modest at about FFr1.8bn, down from FFr2.4bn.

Blue chips were weak, with Elf Aquitaine down FFr13.10 at FFr355 in volume of 547,100 shares, Alcatel-Alsthom falling FFr12 to FFr523 in 310,530 shares, Peugeot off FFr12 at FFr554 and Paribas losing FFr11 to finish at a year's low of FFr324.50.

Exor was requoted after its suspension on November 27. The parent company of Perrier jumped FFr270 or 25.2 per cent to FFr1,340, following the full takeover bid by Ifint of Italy. An order imbalance kept Printemps, the target of another takeover bid, suspended. Its shares were indicated at FFr790 compared with Pinault's offer of FFr1,105 a share and its suspension price of FFr848.

MILAN hovered above the low for the year as trading thinned ahead of Friday's close of the December account. The Comit index fell 7.4 to 487.23, just short of the year's lowest level of 486.26 on January 29. Turnover was estimated at L80bn-L90bn after Friday's L93.4bn.

Yesterday's selling was attributed to reports that some banks, nervous after the spate of recent broker insolvencies, were restricting financing to market operators who wanted to carry over "long" positions into the new account.

Fiat fell L66 to L4,615 and Pirelli remained weak, slipping L30 to L1,100 ahead of its issue of new shares priced at par or L1,000.

FT-SE Eurotrack 100 - Dec 9

Hourly changes

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1039.75	1041.44	1041.57	1040.32	1040.05	1039.32	1039.84	1039.46

Day's High 1041.97 — Day's Low 1038.75

Dec 6	Dec 5	Dec 4	Dec 3	Dec 2
1041.38	1050.13	1058.20	1056.25	1047.98

Base value 1000 (26/10/90)

STOCKHOLM resumed its downtrend after Friday's bounce. The Affärsvärlden General index fell 13.8 or 1.5 to 912.6 on worries over domestic interest rates, which were raised sharply last Thursday. Turnover was heavy at SKr565m, but down from Friday's SKr711m.

Astra, however, continued to attract demand after last week's joint venture agreement with Merck of the US. The pharmaceutical company's free B shares rose SKr11 at one stage, before closing SKr5 higher at SKr540.

OSLO jumped 2.9 per cent in its fifth successive gain. The all-share index rose 11.62 to 412.12 in active turnover of NKr515m, after Friday's revised 1992 budget. Norsk Hydro, which had weighed down the bourse recently, gained NKr4.5 to NKr138.

BRUSSELS edged higher on the cash market. The forward market was closed for the transfer of the computer system after its removal following a fire last year. The cash market index added 11.55 to 5,369.08.

Wagons-Lits, the subject of a takeover offer by Accor of France, was requoted after its suspension on December 4, trading in open outcry in spite of being quoted on the forward market. The share price hit a day's high of BFr11,300, before closing at BFr10,090, a net gain of BFr1,110 or 12.5 per cent.

VIENNA reported heavy turnover as the ATX index tumbled 16.72 to 932.43 with Universale dropping by the 10 per cent limit, or Sch133 to Sch1,202. There was speculation that the builder will not be able to pay a dividend this year, because of losses at its Venezuelan plant.

ZURICH changed its mind on Adia. After a rise in the stock last Friday, the shares dropped SFr7 to SFr398 yesterday as the Crédit Suisse index fell 1.5 to 444.1.

AMSTERDAM closed mixed with a firmer bias but trading was thin as many institutions closed their books ahead of the year-end. The CBS Tendency index was steady at 88.0.

ISTANBUL eased as heavy snow hampered trade. The index fell 5.71 to 4,340.38.

SOUTH AFRICA

A STRONG performance in gold shares, sparked by rising bullion prices, helped to lift a listless stock market. The all-gold index added 48 to 1,287, pushing the overall index up by 27 to 3,522. The industrial index rose 14 to 4,172.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 6 1991								THURSDAY DECEMBER 5 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	148.27	−1.9	121.42	120.06	121.14	126.60	−1.6	4.61	151.20	124.99	123.01	124.91	128.62	160.31	112.74	123.39
Austria (20)	166.58	−0.2	136.41	134.89	136.10	137.06	−1.0	2.10	166.84	137.91	135.73	137.83	138.50	222.37	153.86	210.78
Belgium (47)	135.29	+0.8	110.79	109.54	110.53	108.27	−0.1	5.47	134.21	110.94	109.17	110.87	108.39	151.20	118.04	139.13
Canada (115)	136.12	+0.3	111.47	110.22	111.21	111.98	+0.2	3.33	135.76	112.23	110.44	112.15	111.77	144.28	126.49	129.25
Denmark (37)	258.49	+1.5	211.68	209.32	211.19	214.90	−0.2	1.66	254.57	210.44	207.10	210.30	215.35	270.58	217.74	244.41
Finland (15)	77.34	+1.8	63.33	62.63	63.19	69.06	+0.0	3.53	75.99	62.82	61.82	62.78	69.06	125.15	75.80	107.30
France (109)	138.82	+0.0	113.68	112.40	113.41	116.99	−1.0	3.79	138.79	114.73	112.91	114.65	118.22	152.26	119.11	146.06
Germany (65)	112.37	+1.4	92.01	91.00	91.80	91.80	+0.3	2.51	110.79	91.58	90.14	91.52	91.52	125.35	94.15	122.12
Hong Kong (55)	172.28	+1.2	141.08	139.50	140.76	171.98	+1.0	4.32	170.32	140.79	138.56	140.71	170.25	176.14	119.62	128.52
Ireland (18)	156.46	+0.6	128.12	126.69	127.83	130.03	−0.5	3.86	155.53	128.57	126.53	128.48	130.72	182.46	132.88	153.57
Italy (77)	70.89	−0.6	58.05	57.40	57.92	62.94	−1.8	3.68	71.30	58.94	58.00	58.90	63.97	88.23	64.76	84.32
Japan (474)	131.31	−0.1	107.53	106.33	107.30	106.33	−0.6	0.80	131.50	108.70	106.98	108.65	106.98	146.97	118.23	128.89
Malaysia (68)	204.08	+0.6	167.11	165.24	166.73	215.24	+0.2	2.89	202.94	167.76	165.10	167.65	214.71	247.78	189.18	199.47
Mexico (17)	1320.81	−0.9	1081.59	1069.51	1079.13	4391.52	−0.9	1.17	1332.75	1101.71	1084.24	1101.01	4431.22	1404.63	534.45	613.96
Netherland (31)	145.33	+0.2	119.01	117.68	118.74	117.44	−0.9	4.60	145.01	119.87	117.97	119.80	118.47	148.25	125.70	136.04
New Zealand (14)	46.01	−1.4	37.68	37.26	37.59	43.67	−1.0	6.29	46.68	38.58	37.97	38.56	44.12	54.64	41.18	46.87
Norway (30)	169.84	+2.7	139.08	137.53	138.77	142.93	+1.4	1.81	165.34	136.68	134.51	136.59	140.99	223.24	157.08	217.04
Singapore (38)	205.43	+0.0	168.22	166.35	167.84	156.20	−0.4	2.23	205.42	169.81	167.11	169.70	156.85	213.93	151.63	164.41
South Africa (61)	262.03	+1.0	214.57	212.17	214.07	176.78	+0.3	2.78	259.30	214.35	210.95	214.21	176.30	271.99	173.00	180.58
Spain (53)	147.48	+0.3	120.77	119.43	120.50	113.69	+0.0	4.86	147.05	121.56	119.63	121.48	113.69	171.12	131.51	151.98
Sweden (25)	170.79	+1.9	139.86	138.30	139.54	145.57	+0.8	3.06	167.58	138.53	136.34	138.45	144.39	204.12	146.60	173.28
Switzerland (59)	95.27	+1.0	78.01	77.15	77.85	82.04	−0.3	2.46	94.35	77.99	76.76	77.95	82.33	100.87	82.17	93.87
United Kingdom (238)	172.57	+0.2	141.31	139.72	140.98	141.31	−0.7	5.30	172.21	142.36	140.08	142.25	142.36	187.44	156.27	170.56
USA (526)	154.49	+0.4	126.51	125.10	126.22	154.49	+0.4	3.15	153.84	127.17	125.16	127.10	153.84	161.59	125.85	132.36
Europe (824)	138.65	+0.4	113.54	112.27	113.28	114.15	−0.6	4.23	138.03	114.11	112.30	114.04	114.80	151.52	125.50	142.11
Nordic (107)	175.78	+1.8	143.94	142.34	143.62	142.69	+0.4	2.26	172.64	142.71	140.45	142.62	142.17	200.81	155.55	178.82
Pacific Basin (718)	132.66	−0.2	108.64	107.43	108.39	108.58	−0.6	1.14	132.89	109.85	108.11	109.78	109.21	145.92	117.86	128.32
Euro – Pacific (1542)	135.38	+0.1	110.86	109.61	110.60	111.56	−0.6	2.40	135.27	111.82	110.04	111.74	112.20	147.66	121.29	134.29
North America (641)	153.28	+0.4	125.52	124.13	125.25	151.61	+0.4	3.16	152.65	126.18	124.20	126.13	151.00	160.44	125.91	132.08
Europe Ex. UK (586)	118.20	+0.6	96.79	95.73	96.59	98.47	−0.4	3.45	117.47	97.11	95.59	97.07	98.90	129.80	103.58	124.40
Pacific Ex. Japan (244)	145.97	−0.4	119.53	118.22	119.27	129.70	−0.4	4.18	146.61	121.19	119.29	121.13	130.20	153.19	111.40	120.93
World Ex. US (1735)	137.49	+0.1	112.59	111.34	112.34	113.33	−0.5	2.43	137.36	113.55	111.75	113.48	113.94	148.16	122.32	134.85
World Ex. UK (2023)	139.29	+0.2	114.07	112.80	113.82	124.62	−0.1	2.40	138.99	114.90	113.08	114.84	124.78	146.16	120.06	129.28
World Ex. So. Af. (2200)	141.39	+0.2	115.78	114.50	115.53	125.77	−0.2	2.69	141.10	116.64	114.80	116.58	126.02	148.66	122.92	132.64
World Ex. Japan (1787)	149.31	+0.4	122.27	120.92	122.01	137.22	+0.0	3.57	148.74	122.96	121.02	122.90	137.21	155.59	126.69	136.34
The World Index (2261)	142.20	+0.2	116.44	115.15	116.19	126.23	−0.2	2.70	141.89	117.29	115.44	117.23	126.47	149.37	123.28	132.92

Latest prices were unavailable for this edition. Markets closed December 6: Finland and Spain.

FINANCIAL TIMES SURVEY

THE CHEMICAL INDUSTRY

SECTION III

Tuesday December 10 1991

Two main problems

The chemical industry is in trouble. It is caught between falling demand and spiralling environmental costs and its overcapacity may hinder progress. Paul Abrahams reports

Dilution test on the dye used for colouring Ventolin syrup

TWO problems dominate the world's chemical industry: the recession and the environment. Quite simply, the industry is making too little money as it makes too much pollution.

In 1988, the industry generated record profits. Even the oldest and least efficient plants were lucrative. Much of those profits were ploughed into new capacity in a scramble to meet rising demand. But last year the twin body blows of recession and the Gulf war punctured consumer confidence and demand for basic commodity chemicals.

The world's chemical industry finds itself with too much capacity. Simultaneously it is faced with spiralling environmental costs. The descent from profit to loss has been precipitous. The industry is bleeding cash.

"For an industry led by the most highly educated, best qualified executives in the world, we are worse than schoolboys in passing the primary economic test," explains Mr Ray Knowland, president of the UK-based Chemical Industries Association.

"When times are good in chemicals, we all announce capacity increases," says Mr Knowland.

"We're trying, of course, to fool our competitors into delaying or cancelling their capacity increase. Truth to tell, we don't fool our competitors. We only fool ourselves because we actually go ahead and build the damn things."

Although chemical company executives are flagellating themselves for investing in additional capacity, some factors causing the collapse in profits over the last 18 months were beyond their control. The scale of recession, the subsequent high interest rates, the Gulf war and the collapse in demand as customers cut-back on stocks – these were difficult if not impossible to predict.

However, the sector's recitation of *mea culpa* is understandable. After all, the industry has experienced the cyclical roller-coaster before. Most executives running chemical companies were in the business during the 1982 collapse.

Yet they still invested in capacity even when the market had peaked. They believed past growth indicated future growth, a belief that led to a lemming-like stampede over the recessionary edge.

Mr Bob Horton, chairman of BP, admits: "This industry has the highest IQ management of any, but it also has the lowest common sense."

For most of the chemical industry, the imbalance of supply and demand is unlikely to improve for many years. In the petrochemicals sector, for example, world ethylene capacity is projected to grow at 6 per cent a year for the next five years. Demand could grow as little as 2.5 per cent and not more than 5 per cent over the same period. South Korea has invested as much as $7bn since 1987 in modern and efficient petrochemical plant.

Attempts by chemical groups to make their operations less cyclical since the collapse of the early 1980s have had mixed success.

Many diversified into specialty chemical businesses which produce small volumes of high value product for customers mainly in the textiles, plastics and electronics industries. The attraction was that independent specialty companies have managed to achieve operating margins of 15 per cent even in times of recession.

However, specialty operations within larger groups have not performed as well as expected. Trading profits at ICI's specialty chemicals division, for example, have dropped by more than 50 per cent over the last four years – a result which ICI's head of specialties admits has been disappointing. Similarly, the specialty division of Rhône Poulenc, the French state-owned group, achieved margins of only 0.7 per cent last year.

Other efforts to kick the chemical industry's cyclical fixation have been more successful. For some groups, diversification into the pharmaceutical industry has proved highly productive.

At Rhône-Poulenc, pharmaceuticals and agrochemicals represent 50 per cent of turnover and 70 per cent of operating profits. Its basic chemicals business generates less than 20 per cent of sales and 13 per cent of profits. Similarly, at ICI, pharmaceuticals generated 75 per cent of the company's pre-tax profits last quarter.

Although the pharmaceutical industry's future remains bright, a number of clouds hover on the horizon. One is the increasing cost of research and development. Another is the efforts of governments to slow down the growth in drug expenditure.

The inexorable rise in research and development costs is partly caused by the increasing complexity of new drugs. But the growth in costs has been the result of increasing regulation to test the safety, quality and efficacy of drugs.

This autumn, the regulatory authorities of Japan, the US and EC agreed to initiate the process towards harmonising different standards. If the authorities are successful, the pharmaceutical groups could eventually save money by avoiding the duplication of tests.

Government attempts to reduce drugs expenditure may prove more damaging in the long term. Pharmaceutical groups are looking carefully at health economics as a means of justifying spending on drugs. Health economics involves demonstrating the cost benefits of administering drugs which could, for example, reduce the amount of time a patient spends in hospital.

Meanwhile, nearly all European chemical companies are meeting the challenge of recession through rationalisation. Sir Denys Henderson, ICI's chairman, has said he hopes to reduce his company's headcount by as much as 10,000 during 1991. Even the large German groups are shedding jobs. Bayer, for example, plans to cut more than 1,000 staff during the next 12 months while BASF intends to reduce its employees by 5,000 over the same period.

At the same time that chemical groups are attempting to reduce their cost base, they are faced with increasing environmental expenditure. In the UK, environmental spending is running at between 20 per cent and 25 per cent of all capital investment, according to the British-based Chemical Industry Association.

Some European companies are struggling to cope with the combined burdens of recession and the cost of complying with environmental legislation. Last month, the chairmen of both BASF and Bayer warned the German government that increasing environmental legislation was making Germany a more unattractive location for the chemical industry.

Mr Hermann Strenger, chairman of Bayer, said the German chemical industry was being stretched to the limit. "What we urgently need is a break from the increasing demand of federal environmental policy – a consolidation phase after the flood of laws and regulations," he said.

Given the industry's problems, it is hardly surprising that the frenetic merger and acquisition activity of the late 1980s has slowed to a trickle. During the first nine months of 1991, the average deal size was £35m compared with £77m last year. There are plenty of businesses for sale – only a shortage of buyers. The largest deal of the year was the one that failed to occur – the acquisition of ICI by Hanson.

The world's chemical industry is holding its breath for an economic upturn to stimulate demand. But given the scale of excess capacity and the increasing cost of complying with environmental legislation, it is far from clear whether an improvement in the world economy will necessarily lead to an increase in profitability. The chemical industry's hard times could be here to stay for some time.

IN THIS SURVEY

Setting up a tableting line, Napp laboratories, Cambridge Science park

Editorial production: Phillip Halliday

THE CHEMICAL INDUSTRY 2

■SPECIALTY CHEMICALS: no easy escape from recession

Pots of gold prove elusive

EXECUTIVES have discovered there is no easy escape from the ravages of recession. Indeed, they have found that so-called specialty chemicals are not the pot of gold at the end of the rainbow.

There was a time in the mid-1980s when chemical executives believed making specialty chemicals was the same as printing money. Chemical multinationals such as ICI, BASF, and Rhône-Poulenc saw turnover and profitability hit by the recession that followed the oil crisis and looked on enviously at the producers of so-called specialty chemicals.

Definitions in the chemical industry are never easy to pin down but the general view is that commodity chemicals are inexpensive and are traded in large volumes.

A commodity chemical producer must have a reliable and inexpensive source of raw materials and a sizeable operation capable of marketing the product.

Specialty chemicals, on the other hand, are valuable because of the functions they can carry out. Generally, the view is that such chemicals are traded in much lower volumes; kilograms rather than hundreds of tonnes, for much higher prices.

Apart from supplying the chemicals, the specialties producer provides technical back-up to the customers, a service which users are prepared to pay handsomely for.

In the early 1980s, commodity producers saw their margins squeezed by higher feedstock costs and too many suppliers seeking too few customers. Specialty chemical producers continued to thrive, with increasing sales and sound operating margins, as the chemical product's performance not its price was the key to success.

Not surprisingly, the leading companies decided that they wanted a piece of that action, and by the mid-1980s set about acquiring and developing specialty businesses. The idea was to get off the economic ups and downs by switching into stable but fast-growing specialties.

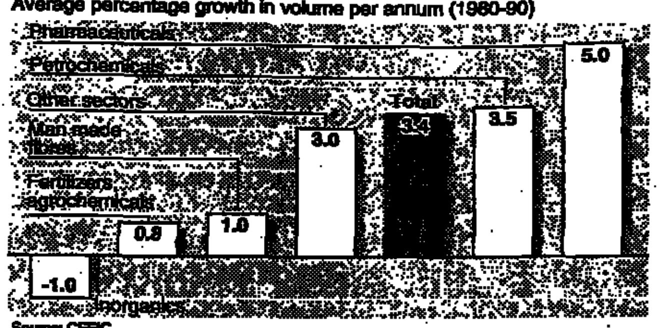
Rhône-Poulenc, based in France and ICI of the UK spent heavily to acquire specialties businesses. Yet as the world slipped into recession at the start of the 1990s practice was not following the theoretical line. Indeed, the mid-term report of the two companies does not look too good.

In spite of establishing a specialties division, ICI has seen the trading profits of specialty chemicals fall by more than half in the past four years although sales have increased 20 per cent over the same period.

Indeed, industrial chemicals saw improved profitability in spite of falling sales. Similarly, Rhône-Poulenc has reported disappointing results from its specialties efforts.

Western European industry growth

Average percentage growth in volume per annum (1980-90)



Source: CEFIC

Commenting on ICI's specialties record, ICI Specialties chief executive officer, Mr Rodney Brown says: "ICI's strategy in forming Specialties remains valid although our results so far have been disappointing. Our two largest businesses, Colours and Surfactants, have both suffered from falling volumes affecting nearly half our business. However, restructuring and rationalisation programmes are in place to focus them on areas of true competitive strength."

Rhône-Poulenc's results have been disappointing. "The specialty chemicals sector has been the least profitable," admits Mr Philippe Desmarescaux, Rhône's sector supervisor for specialties and executive committee member. "But it is also the most complex and most promising area."

Although Rhône's specialty chemicals sales in the past five years have grown from FFr8.1bn to more than FFr15bn, operating margins have struggled around the 5 per cent mark, and in 1990 were only 0.7 per cent. Conventional specialty chemicals companies expect operating margins of some 15 per cent.

"The main misconception made by the big companies was that specialty chemicals would be resistant to cost cutting efforts because they represent a small part of the total cost base. In reality, as sectors such as house building and general industrial activities have declined many specialty chemicals have become highly priced commodities," explains Mr Michael Stone, chemicals analyst at S.G. Warburg Securities.

Specialty chemicals are sold into a broad range of end use industrial market segments such as textiles, plastics, coatings and electronics. It seems inevitable that as the economy moved into recession then demand for such chemicals would decline, thus refuting the claim that they could be recession proof.

This is clearly indicated by the collapse in chemical margins at Ciba-Geigy, the Swiss-based company that is regarded by industry watchers as one of the more specialty-oriented companies.

The recession in the chemicals industry at the start of the 1980s was in response to high raw material costs and over-capacity in the petrochemicals industry. This recession is hitting the specialties producers because important end user industries are not buying the chemicals which are their raw materials.

"Specialties are not necessarily high value-added chemicals," warns Mr Tim Wilding, a member of Chase Manhattan's global chemicals mergers and acquisitions team.

The conventional rule of thumb goes something like this: the further the move downstream, from raw material to end product, the higher the value and greater the profit margin. To Mr Wilding this theory is a little too simplistic. "The market dynamics of a given sector change along with the competitive characteristics," he says.

Organofluorines, which are used to make some specialty plastics, pharmaceuticals and agrochemicals are a clear example of this, says Mr Wilding. "The more basic organofluorines, which are certainly specialties in terms of application, attracted a great deal of interest from some of the multinationals such as ICI and Enichem and now exhibit the characteristics of commodity chemicals." Supply has outpaced demand and attractive margins can only be achieved with the most complex of molecules.

Another reason why the leaders have not had success with specialties concerns corporate culture. The multinationals built their businesses on the back of commodities which are market-led, whereas many successful specialty companies are much smaller, are flexible enough to react to customers needs and see their businesses as technology-driven.

ICI's decision to establish the specialties division was partly driven by the need to ensure better customer responsiveness. Meanwhile, Rhône-Poulenc is creating a decentralised management infrastructure which makes its managers behave as if they are running small specialty companies.

Courtaulds has developed a sulphur fine chemicals business on the back of its carbon disulphide operations, while Sweden's Nobel Industries created a fine chemicals business out of its explosives heritage and nitrotoluene capability. Both businesses are for sale.

ICI operating margins 1986-90 (%)	1986	1987	1988	1989	1990
BIOSCIENCE PRODUCTS					
Pharmaceuticals	29.7	29.1	27.4	29.9	34.6
Agrochemicals & seeds	3.8	5.9	10.2	11.4	8.1
SPECIALTY CHEMICALS					
Specialities	8.5	9.6	8.8	9.2	4.1
Paints	6.4	7.4	7.4	6.1	6.6
Materials	11.9	9.9	8.7	2.2	—
Explosives	8.2	11.5	13.2	11.6	9.8
INDUSTRIAL CHEMICALS	6.5	10.3	13.1	11.7	5.4
ICI GROUP TOTAL	10.3	11.7	12.6	11.1	8.0

Source: ICI

Nevertheless, it is the businesses that ICI has developed in-house that look the most promising in its specialties portfolio but they are still having a negative impact on the bottom line.

Mr Stone believes specialties do have a future, although not possibly as rosy as once thought.

Executives at BASF, the world's largest chemicals producer, do not have the same enthusiasm for specialties as some of their rivals.

"What counts is not the percentage of specialties a company produces, but the profitability of its product portfolio. And it would be a mistake to link specialties with profitability and commodities with unprofitability," BASF says.

In spite of this, BASF is backing a commodities-oriented future. This is seen in its plan to secure its raw materials supply with the construction of a oil and gas pipeline network.

Furthermore, the company is pushing forward with plans for an ethylene cracker and other commodity chemical production units at Antwerp, and is staying in fertilisers while others withdraw.

It is becoming clear that the multinational chemical industry is no longer as certain as it once was about the merits of moving into specialties. With ICI and Rhône-Poulenc taking one path and BASF apparently taking the other, at least the industry will be closer to the answer by the end of the decade when examining the fates of these chemical leaders.

Mike Ward

A research scientist prepares tissue culture for Glaxo

■MERGERS & ACQUISITIONS: 1991 will be a grim year

Big deals and buyers are in short supply

THE YEAR began with a whimper in the mergers and acquisitions arena. Buyers scurried for cover as the shooting started in the Gulf war, leaving the deal brokers to bet on the outcome and dust down their résumés.

It was well into the second quarter before activity began to revive. It picked up further as the year progressed, fuelled by growing confidence in the US and UK economies, which have historically spawned half of the transactions in the chemicals sector, and a belief that acquisition prices had bottomed out.

Mergers and acquisitions

It turned from being a sellers' to a buyers' market and price levels fell substantially

had a lean year in 1990. Although the number of mergers and acquisitions in the sector was comparable to 1989 the total value of transactions halved, with fewer big deals. As the combined effects of low profit margins, lack of funding availability and the Gulf crisis took their toll, it turned from being a sellers' to a buyers' market and price levels fell substantially.

Even with a strong finish in the final quarter, 1991 will be declared a grim year. Data for the first nine months of 1991, annualised, show the number of deals about 5 per cent below last year, but the total value has fallen to 45 per cent of 1990.

The average deal size is a mere £35m, compared to £77m in 1990 for the 40 per cent of deals for which size is reported.

There is no lack of businesses for sale in the sector, but buyers are in short supply and only the most attractive and realistically priced properties will sell. For many companies, 1991 is a year of cost reduction, balance sheet repair and restructuring.

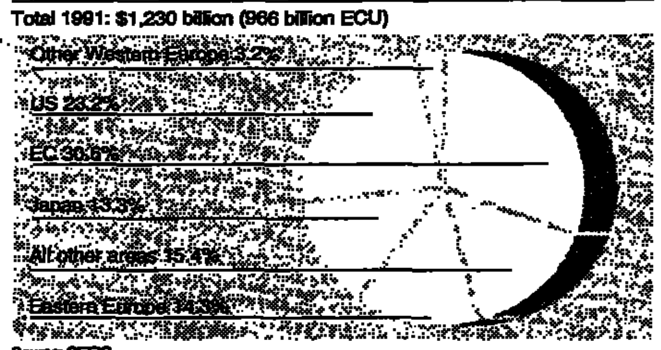
The biggest deal of the year was the one which didn't materialise, the Hanson bid for ICI. Beside that, the other transactions have been tiny with the largest to date a mere £645m. In 1990 there were five transactions larger than this, the biggest was in Italy; the £1.9bn purchase of the 60 per cent of Enimont by ENI, the state-owned energy and chemicals concern. In 1989 there were six larger deals, topped by the £8.9bn merger of Bristol-Myers with Squibb.

Pharmaceuticals is the only product category showing growth.

Activity levels in the sector this year could have been much worse had it not been for a 30 per cent growth in the number of transactions in the pharmaceuticals category demonstrating the resilience of health related spending in the face of recession.

World chemical sales

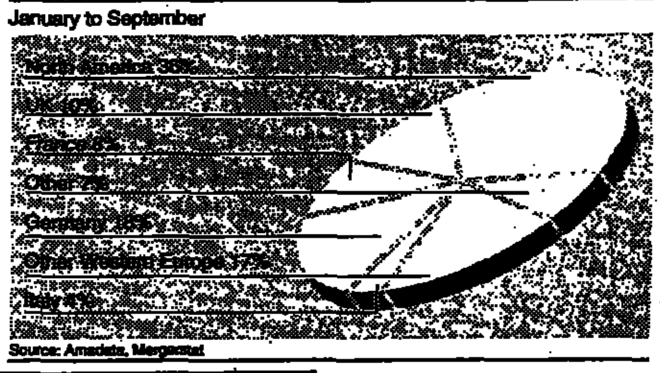
Total 1991: $1,230 billion (966 billion ECU)



Source: CEFIC

Mergers & acquisitions targets in 1991

January to September



Source: Amdata, Mergerstat

Top Ten Chemicals Deals of 1991 to Oct (£m)			
Target	**Activity**	**Acquiror**	**Bid price**
Max Factor/Betrix Cosmetic	Cosmetics	Procter & Gamble	645
Nicholas Laboratories	OTC pharmaceuticals	Roche Holding AG	485
Genetics Institute (60%)	Pharmaceuticals	American Home Products	380
Cetus	Biological/pharm. products	Chiron	330
Lyonnaise Ind. Pharm.	Pharmaceuticals	E Merck	300
Grace Trinidad	Ammonia fertilisers	Norsk Hydro	290
Cetus - GeneAmp Polymerase Research Technology	Biotechnology	Roche Holding AG	170
Laboratoires Delagrange	Pharmaceuticals	L'Oreal	125
Dubois Chemicals	Cleaning materials	Molson	125
ICI Soda Ash (UK & Kenya)	Soda ash	Penrice	90

Source: Amdata, Mergerstat

In the first nine months of 1991, these accounted for 35 per cent of transactions by number. In value terms, this category is substantially more important. This is the only category in which acquisition prices have not fallen significantly.

Specialty chemicals is the second most popular category in 1991. The fashion buying which characterised the late 1980s continues, in spite of the evident failure to meet expectations of many of these high-priced acquisitions, although at a lower level than in 1990 when this category represented 31 of the number of transactions in the sector.

Western Europe is still the most popular region for chemicals acquisitions representing 57 per cent of the total in 1991. The number of takeovers in North America has fallen again this year, from the peak in 1989.

The 1991 figures are bolstered by a spate of takeovers in the eastern European states, particularly the former East Germany. This, plus an increase in resources committed to western German acquisitions, should result an increase of 50 per cent in the number of chemicals deals in Germany. Transactions in eastern Europe represented 3 per cent of the total in the first nine months of 1991, up from less than 1 per cent in 1990.

Italy and France have shown the greatest falls in activity, as the restructuring of the Italian and French chemicals industries which characterised 1989 and 1990 is, at least temporarily, halted. European bidders have fallen back to 56 per cent of the total.

UK and French bidders have dropped the most with a reduction of one-third in the number of transactions compared to last year.

By contrast, there are likely to be one-third more successful German bidders than in 1990.

Pharmaceuticals and specialty chemicals will continue to dominate the scene for the next two years

North American bidders are back in the market, with the number growing by more than 15 per cent this year to recover the ground lost in 1990.

The Japanese have made little impact this year, the largest deal being Kawasaki Steel's acquisition of ICI's specialty compounds business for £57m. The investment climate in Japan is stagnant, with companies unwilling to raise equity at the low prices prevailing, and interest rates historically very high.

Looking forward, we see the number of deals in the chemicals sector picking up again in 1992 and 1993 with some larger deals reappearing. Medium and small-sized deals will predominate. Portfolio rationalisation will remain the driving force behind much of the acquisition activity. It will remain a buyers' market, and prices will recover slowly.

Pharmaceuticals and specialty chemicals will continue to dominate the chemicals mergers and acquisitions scene for the next couple of years. Consolidation in pharmaceuticals is being driven by a shift in the basis of competition to favour the larger, international players.

A number of specialty chemicals businesses acquired in the late 1980s which have failed to perform will be traded on by their disappointed parents. Restructuring in sectors with over capacity, such as fertilisers, fibres and advanced materials, will continue.

The focus of activity will shift to continental Europe, as it did in 1989 and 1990. Privatisation in eastern Europe will continue to attract interest from long-term players, and in eastern Germany a number of companies which have been sold to buyers outside the industry will be traded on. The Japanese will continue to be cautious acquirers, generally preferring smaller transactions. Activity in other areas of Asia Pacific will grow, although slowly.

There will be fewer contested takeovers than in the late 1980s, as the geographic focus of activity shifts. We shall see more variety and creativity in transaction types, with a move away from the Anglo-Saxon preference for outright acquisition.

Lesley C Brown, Robert Fleming & Co

THE CHEMICAL INDUSTRY 3

■THE ENVIRONMENT: the costs are beginning to hurt

A flood of regulations

ENVIRONMENTAL protection is becoming increasingly arduous for chemical companies. Ever more demanding environmental measures are being introduced as the chemical industry's profit margins are under pressure.

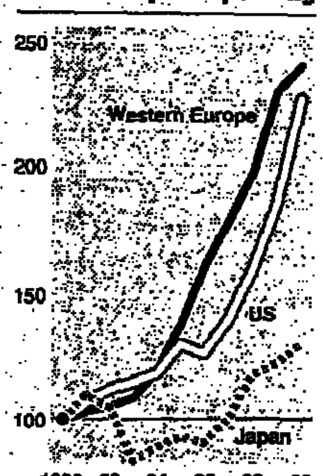
The Seveso, Bhopal and Sandoz disasters dominate the industry's not altogether squeaky-clean image. But the cost of environmental protection is beginning to hurt.

Spending on environmental measures is cutting into ordinary capital expenditure worldwide. Europe is estimated to be five years behind the US in the implementation of environmental measures, but is having to invest during recession rather than the good times.

The cost of cleaning up the chemical industry's act is colossal. In the UK, the Chemical Industry Association estimates capital expenditure on the environment will double between 1990 and 1992 from £200m a year to £400m. It is running at between 20 per cent and 25 per cent of investment.

The cost for individual chemical companies is also immense. In Germany, for example, Bayer, the large chemical company, estimates it could spend as much DM1bn (£300m) a year on environmental costs by the end of the decade. Over the past four years, it has spent DM1.7bn on environmental measures in Germany alone.

Index of capital spending



Source: CEFIC

In Europe, environmental legislative pressure is coming from two directions. National government involvement is increasing, although at different rates according to local political developments. In some countries there are heavy fiscal instruments to discourage emissions.

At the same time, the European Commission is looking at measures to standardise environmental regulations. The need for common standards within the EC is clear. Manufacturers in some countries are disadvantaged by having to comply with local regulations which are far stricter than those of their competitors in other countries.

German chemical groups, for example, have started to groan under the weight of environmental legislation which is among the most stringent in Europe.

Last month, the chairmen of BASF and Bayer both complained of environmental costs last month as they each reported falling profits. Dr Jurgen Strube, chairman of BASF, warned there was an insidious deterioration in operating conditions for German industry.

Specifically, Dr Strube attacked proposals to further increase levies on effluent, and the introduction of taxes on carbon dioxide emissions and waste disposal. He complained such levies had more to do with income generation than cleaning up the environment. The proposals include:

- A levy of DM200m on each tonne of hazardous waste placed in land-fill sites. This rate would double within 10 years. The potential annual cost for the chemical industry, according to Bayer, could be as much as DM1.3bn.

Bayer claims this measure would force the company to close its basic inorganic chemicals business and titanium dioxide operations. The group argues the levy would add DM30m costs on a business with a turnover of only DM200m, making the operations uncompetitive.

- A tax of DM10 per tonne of carbon dioxide produced. This would cost Bayer DM80m a year.
- A levy of DM110 on each tonne of solid waste and slurry that needed incineration, which would cost the company as much as DM300m a year.

Mr Hermann Strenger, chairman of Bayer, told the German government that his company could be forced to increase its investment abroad if this legislation was introduced. He said it would stretch the industry to its limits.

"What we urgently need is a break from the increasing demand of federal environmental policy – a consolidation phase after the flood of laws and regulations," he says.

Dr Frank Schendel, head of Bayer's environmental policy department, explains: "The danger is that the German chemical industry will act as an environmental pacemaker who sets the speed and then falls away at the end.

"We must progress in environmental affairs at a sustainable pace. It's all very well going fast when the car is built only to travel at 200kmh in fine conditions. But if the weather is bad you have to slow down. We need to slow down now."

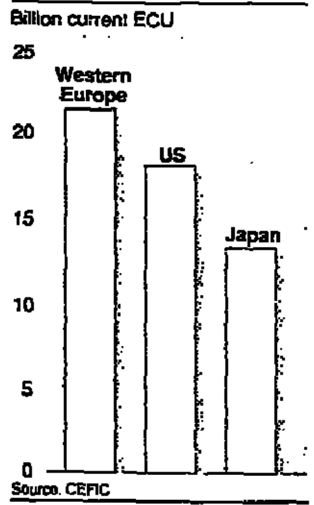
In particular, Dr Schendel is concerned that politicians may be concerned with going for quick-fix solutions rather than fundamental ones. He argues that some governments are more interested in unsophisticated, but expensive, end of the pipe technology rather than looking at facilities that will reduce emissions during the manufacturing process. Such end of the pipe technologies are not only expensive to build but also costly to operate.

Meanwhile, in the UK, the industry is bracing itself for the implementation of the environmental protection act in 1993. The Chemical Industry Association estimates it will cost the sector as much as £1.5bn in capital investment and as much as £300m a year in additional running costs if companies are to comply with the integrated pollution control aspects of the act.

In spite of these national initiatives, the European Commission is likely to provide the main focus within Europe over the next few years for increasing environmental legislation. "By the end of the century, two-thirds of the environmental music will be composed in Brussels," says Dr Schendel at Bayer.

The most important measure being considered by the Commission is a carbon dioxide tax which could raise as much as Ecu48bn. The aim of the tax is to encourage the use of alternative sources of energy such as water, wind and solar power.

Capital spending 1990



Source. CEFIC

However, the chemical industry is demanding sectoral relief for certain industries which have particularly high energy requirements such as aluminium and chlorine. It argues that the solution must be worldwide if European companies are not to be disadvantaged through their more stringent environmental controls.

Some companies are concerned about the implementation of pan-European standards. They are worried that standards may be similar throughout the continent, but that some countries will be less vigilant in enforcement than others in order to give their national companies an advantage.

Growing awareness of the environment is posing other serious problems for chemicals groups. The broader interpretation of environmental liability is making acquisitions and disposals increasingly difficult. Few companies are likely to acquire a subsidiary without auditing the environmental problems associated.

European companies will have to start changing their organisational structure to meet increasing environmental demands, according to Mr Simon Bartholomew, a director of Whitehead Mann, the London-based head-hunters. He argues that board level directors with sole responsibility for the environment will have to be appointed.

"In Germany and Switzerland, companies often appoint general managers to co-ordinate environmental action," he says. "But there is a problem of conflict of interest between making money and being safe. The director of environment must be independent and report directly to the chairman."

Paul Abrahams

■PHARMACEUTICALS: freedom from the cyclical roller-coaster

Discovering healthy profits

PHARMACEUTICALS are the chemical industry's wonder story. Not only have pharmaceuticals treated and cured a myriad of diseases but also injected new life into the cyclical chemicals industry. They offer an enviable record of saving patients' lives and manufacturers' balance sheets.

Pharmaceuticals are a panacea for those companies trying to escape the roller-coaster world of the cyclical commodity chemicals business. The chairmen of those groups that have successfully made the transition from commodity chemicals to pharmaceuticals are sitting smugly while they watch the profits of some of their competitors nosedive during the recession.

Some companies would probably no longer exist without their pharmaceutical businesses. While Sir Denys Henderson, ICI's chairman, was announcing his third quarter profits, he highlighted poor trading conditions for his chemical businesses, but contrasted this with the performance and outlook of his pharmaceutical operations.

Pharmaceuticals represented 75 per cent of ICI's pre-tax profits last quarter. According to Scrip, the pharmaceutical industry newsletter, ICI's pharmaceuticals division is the third most profitable drugs business in the world, with sales last year of $2.525bn and profits of $872m. It is outperformed only by Merck, of the US, and Mylan Laboratories, a small American company.

Other companies that have migrated successfully into pharmaceuticals include Rhône-Poulenc, the French state-controlled company. Following the acquisition of Rorer of the US, Mr Jean-Rene Fourtou, Rhône-Poulenc's chairman, has seen his pharmaceutical and vaccines business grow so that it represents 37 per cent of turnover and 50 per cent of profits. And although the profits of the other divisions fell, he expects overall results to be 20 per cent higher in 1991 than last year.

However, in spite of the glowing success of the pharmaceuticals world, there are problems facing the sector. The most ugly of these is the escalating research and development costs and the threat from governments to control spending on healthcare.

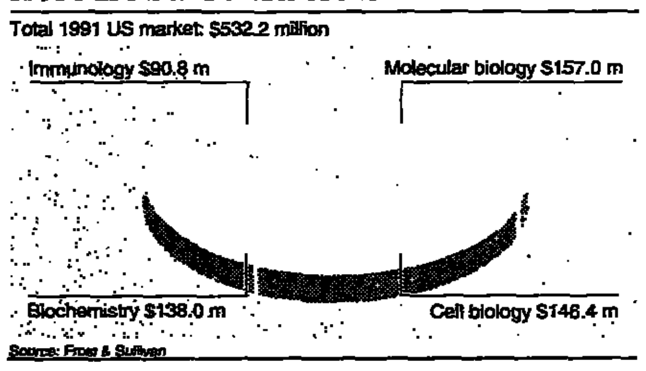
Research and development costs have become staggering. Merck, Bristol-Myers Squibb and Glaxo together spend nearly $1bn on research and development. In the US, the cost of guiding a drug from its discovery to the market place has risen from $54m in 1976 to as much as $230m by last year, according to the Pharmaceutical Manufacturers Association.

This inexorable rise in costs is partly caused by the increasing complexity of new drugs. But the growth in costs has also been the result of increasing regulation to test the safety, quality and efficacy of drugs. Since the Thalidomide tragedy of the 1960s regulators have been imposing increasingly stringent tests on drugs.

However, one significant problem for the drugs companies, has been that the different regulators have been imposing different criteria. That has meant that pharmaceutical companies have had to present different sets of data to different countries to prove the same thing – a costly process.

Research biochemicals

Total 1991 US market: $532.2 million



Source: Frost & Sullivan

This autumn, regulators from the US, EC and Japan met in Brussels to consider the duplication problem. The ground work for progress was made, particularly in the field of quality, but for safety and efficacy much work needs to be done before the cost of developing drugs starts to fall.

"Reducing regulation could have a big impact on costs," explains Dr Richard Arnold, executive president of the International Federation of Pharmaceutical Manufacturers. "We may not achieve lower costs, but the rising rate at which research and development expenditure is increasing could be slowed."

Drugs companies are looking for other ways to reduce the cost of research and development. One method is to collaborate on basic research and pre-competitive science.

"No company can afford to be totally independent any longer," explains Mr George Poste, head of research and development at SmithKline Beecham.

If rising costs present a danger for the pharmaceutical industry, so do the efforts of governments to rein in rampant health expenditure.

The Japanese and a number of European governments have introduced, or are in the process of introducing, a wide range of measures to slow down the increase in drug expenditure. These include:

- Lists of products which doctors may not prescribe or for which they get partial reimbursment.
- Obligatory and direct price cuts, such as exist in Japan.
- Profit controls, which insist on a ceiling on return on capital, such as exists in the UK.
- Controls on promotion.
- Penalising excessive prescribing.
- Encouragement of generic, non-patented, products.

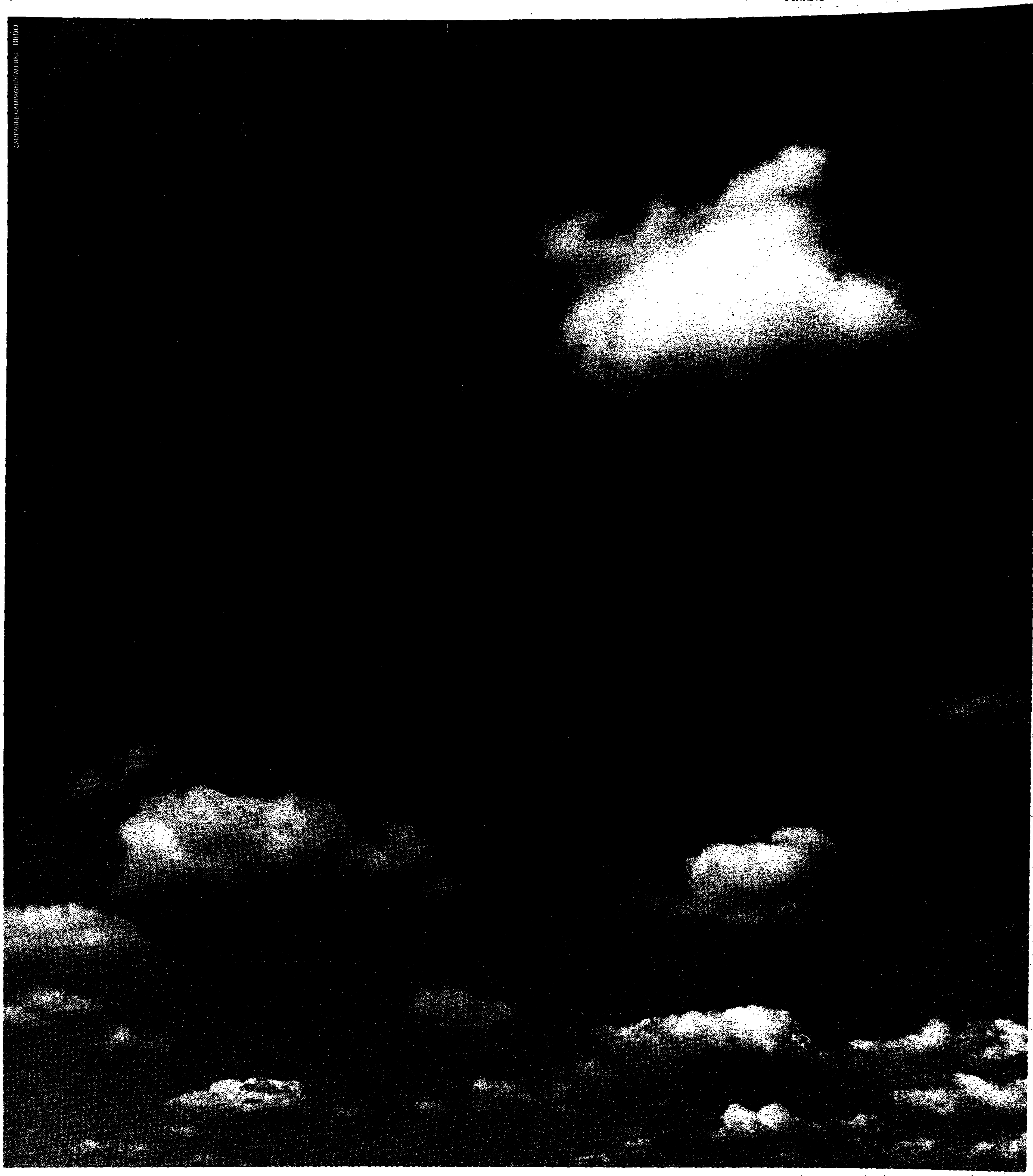
The impact of such measures can be considerable. In the UK, the Association of the British Pharmaceutical Industry says that British doctors – who prescribe less than their French, German and Italian counterparts – are prescribing fewer new drugs. According to an ABPI study, medicines introduced within the last five years account for 29 per cent of the market in Italy, but only 9 per cent in the UK.

Similarly, in the Netherlands where the government is taking an aggressive stance of the price of drugs, pharmaceutical companies are concerned. "If the [Dutch] government starts to meddle with prices, the innovative pharmaceutical industry will be heading for some tough times," warns Mr Alex Vermeeren, president of Akzo's pharma division.

In the US, prices are under threat. The drive towards intermediaries purchasing large quantities of drugs at discount and then distributing them to healthcare providers is slashing the price that drugs companies can charge.

Some companies are quite sanguine about efforts to change pricing systems. Mr Fourtou at Rhône Poulenc recognises the potential impact of price controls, but argues that "more than half of the world's illnesses have no medicines. The world's population continues to age. There's still plenty of growth to come."

P.A.



DECEMBER 10 1991

The petrochemicals industry is haemorrhaging cash, writes **Hilfra Tandy**

A suitable case for treatment

THERE IS a fine line between vision and hallucination. Vision is when management gets the strategy spot on, the timing is right and those margins hum. Hallucination is when the strategy looks right, but somehow the timing is way off and the margins are no good.

The petrochemicals business *fails to distinguish* the difference until it is too late.

In the roller-coaster of the basic commodity chemicals industry, across the world the *petrochemicals business* is haemorrhaging cash. Whether producers are upwardly integrated into feedstock crude oil or natural gas – such as BP Chemi*cals, Exxon or Shell – or* downwardly integrated into an emporium of derivatives products – such as *BASF*, Hoechst, ICI or Dow Chemical – all are feeling the pain.

Germany's BASF and Hoechst – leaders in the world's chemical industry league – have just reported losses (at parent level) at their *petrochemicals operations dur*ing August and September, 1991. BP Chemicals turned in a third-quarter loss of £20m and last week unveiled a voluntary severence scheme aimed at cutting costs. The list goes on and in many cases are all too reminiscent of the last crash back in 1982.

Then the industry embarked on a hard crust-and-water regime. Workforces were cut, plants shuttered, projects postponed and, low and behold, supply came more into line with demand. The regime worked. During the mid-1980s through to the latter half of 1989, the petrochemicals sector of the chemical industry became a star performer. Cash generation by west Europe's petrochemical producers reached an all-time high in the industry's history in 1988. So the strategy was spot on – for a time.

Even this year, when it had become evident that the good *times had stopped rolling*, the consensus was that the industry was set for a "soft landing", not the shuddering reversal in fortunes that had pulled large parts of the business – in Europe, the US and Japan – into the red during the early 1980s.

If criticism can be laid at any door it is surely the industry's own. *As Mr Bob Horton*,. *BP* chairman, said recently: "This industry has the highest IQ management of any, but it also has the lowest common sense."

There are facets of this characteristically cyclical business that management is unable to control. The recession, interest rates, the lacklustre pace of national economies, lack of consumer confidence and subsequently poor performance from the industry's own customers in the vehicle, housing, building and textiles businesses. *The* swings and roundabouts in crude oil prices and natural gas.

When it comes to the old chestnut – of too much capacity chasing smaller market shares – the strategies, of the late 1980s, that dictated construction of new plant and capacity additions to existing operations were the result of mass corporate hallucination.

There is nothing more difficult to resist than temptation. The robust profitability and growth rates that the industry was able to exploit in the mid-to-late 1980s led to yet another bout of expansions in both ethylene crackers – the heartbeat of the petrochemicals industry – and plastics.

For an industry that has been caught in the hallucinatory trap of believing that past growth rates are indicative of the future, the determination to repeat these mistakes is all the more difficult to either understand or justify.

Around the world, be it governments, oil companies, chemical leaders or newcomers, each failed to resist temptation. If all the ethylene plants announced at the end of the 1980s do come on stream, it will mean 18m tonnes of ethylene by 1992. That will lift 1988's world capacity from 56m tonnes to 74m tonnes in 1992.

As Mr Andrew Butler, Dow Europe president, put it at the third Financial Times petrochemical conference (November 19, 1991): "Ethylene capacity is projected to be added at a rate in excess of 6 per cent per annum during the next five years, while our experts continue to argue whether demand development will be 2.5 per cent or continue at the 5 per cent rate of the past half-decade."

The industry might well have got away with a little hallucination, a belief in exponen*tial* growth, if it were not for another significant factor. This time round, compounding the fact of recessionary economies and sluggish markets, there are some new players. They are located in the fastest-growing economies in the world – the *Asia-Pacific* region. *In that* region alone, about 24 ethylene plants, with some 6.7m tonnes of capacity, are scheduled to come on stream within the next three to four years.

Clearly the established players were aware of these projects but perhaps fell into the trap of not really believing that they would come on stream as scheduled. *Indeed a few may* not. Projects in Indonesia are on hold as the country grap*ples* with its foreign debt problems. Thailand's second petrochemicals complex has run into some enormous construction cost rises (more than 50 per cent) and it is unlikely that China will manage to build all its planned mini crackers by *the end of the current five-year* plan in 1995.

However, the projects that are causing headaches are those in South Korea. Since the democratic presidential elections of 1987 and the government's deregulation move in *the late-1980s, an estimated* $7bn has been invested in Korea's petrochemical industry. In the past six months, four ethylene crackers have been commissioned in Korea by Samsung, Lucky, Hyundai and Korean Petrochemicals. Another *two – operated* by Honam and Hanyang – are due on stream next year. These *plants have come on stream* ahead of schedule and have achieved product quality specifications equal to the best operators in the world.

One writer has suggested that the South Korea's chief advantages is its ignorance and its poverty. Since the South koreans did not know that it was impossible to do everything at once, in a whirlwind rush, they did it.

Besides, they were not hampered by an inefficient industrial plant. Starting with nothing, they *built a highly* efficient productive machine.

Imitation is, after all, the sincerest form of flattery. But for the established petrochemical producers, the imitation of itself that South Korea has created is most unwelcome.

Japanese petrochemicals producers have reacted swiftly in an attempt to minimise what they have called the "truly grave impact" of South Korean capacity.

New building plans have been either shelved or postponed, significantly, without guidance from Japan's traditional industrial strategist – the Ministry of International Trade and Industry.

*For the rest of the estab*lished petrochemicals producers in Europe and the US it is now a case of back to regimes. Every nook and cranny of petrochemical operations is being scrutinised to identify ways to minimise mounting losses. *There are no exceptions in the* restructuring pursuit. The industry is paying the price for corporate hallucination and petrochemicals have again become a suitable case for treatment.

Cutting workforces and teasing out less productive elements of operations are, essentially, a necessary but easy part of the treatment. Getting to grips with the fundamental *structural* imbalances requires heavy-duty surgery.

Mr Butler reckoned that if expansion was the "game" of the 1970s and diversification into specialities the cyclical antidote for the 1980s, the 1990s should be the decade of alliances.

If the petrochemicals industry fails to identify "the strategic alliances essential for survival" the losses already announced may well just be a harbinger of even worse times.

As Mr Ray Knowland, president of Britain's Chemical Industry Association put it at last month's annual dinner: "Two great problems dominate our industry today: the environment, and recession. In other words: we're getting cleaned up . . . and we're getting cleaned out."

There is, of course, a third problem: the petrochemical industry's ability to manage. And that ability is on trial now.

The author is the editor of Chemical Matters

Global capacities (000 tonnes)

	1988	1992
Ethylene	56,000	74,000
Propylene	27,000	33,200
Styrene	12,000	17,500
PE	29,000	38,500
PVC	18,500	22,600
PP	10,000	17,000
PS	8,900	10,800

Source: Dow Plastics, October 1991

Korean plan - Ethylene (000 per year)

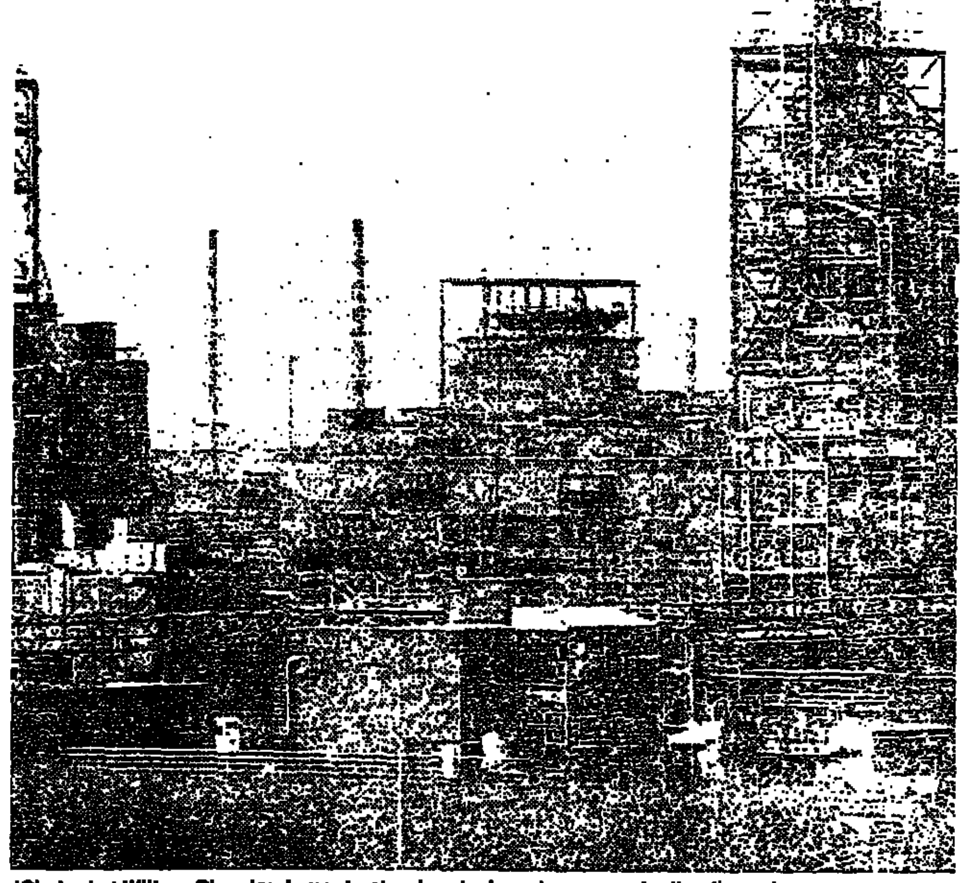
Company	Existing	New	Status
Yukong	560	–	–
Daelim	600	–	–
Lucky	–	350	Commissioned July 1991
Korean Pet	–	350	" " Nov 1991
Samsung	–	350	" " June 1991
Hundi	–	350	" " Oct 1991
Honam	–	350	" " March 1992
Hanyang	–	350	" " Sep 1992

Source: Yoshio Tokuhisa, Mitsubishi Pet

Asia Pacific – new Ethylene plants

	Number of plants	Capacity (000 tonnes)
China	8	905
South Korea	6	2,000
India	3	1,000
Malaysia	2	550
Taiwan	1	400
Indonesia	1	550
Thailand	1	350

Source: Dow Plastics



ICI plant at Wilton, Cleveland: most petrochemical producers are feeling the pain

Europe - Ethylene capacity increases (000 tons)

	1991	1992	1993
Finaneste	450	–	–
Ruhr Oel	–	440	–
BASF	–	–	600
Enichem	–	–	360
Others	615	460	270
Total	1,065	900	1,230
Total capacity	17,400	18,300	19,530

Source: Chem Systems, November 1991

FINANCIAL TIMES

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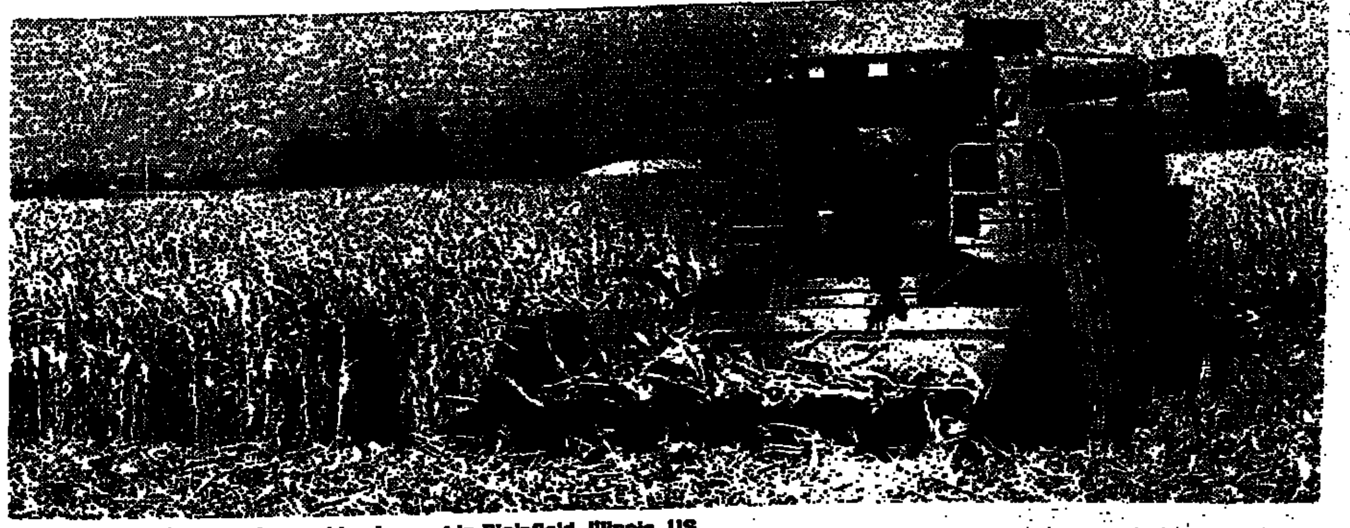
With a little help: an Indian farmer tilling fields near Chamboda in Hassanspur has to overcome many agricultural disadvantages



Growing fields: bringing in a golden harvest in Plainfield, Illinois, US

Long-term survivors will be the companies with R&D muscle, says **Peter Coombes**

Agrochemicals face massed challenge

SUPPLYING products to agriculture has long been a mainstay of the chemicals industry, but the competitive challenges of the 1990s are certain to reshape the business.

The most daunting task faces the fertiliser industry in western Europe, where more than a decade of restructuring has transformed the profile of the business but failed to restore profitability to acceptable levels.

In response to overcapacity, production inefficiencies, cheap imports from eastern Europe and Africa, and the threat of reduced acreages, the fertiliser industry spent the 1980s trying to put its house in order. Capacity has been reduced and production consolidated on fewer and, in many cases, newer sites. Employment has been halved to 50,000 people and the roster of leading players cut from 30 to just seven companies, accounting for 80 per cent of regional output. It is significant that five of these seven – Norway's Norsk Hydro, Finland's Kemira, Spain's Fesa, Italy's Enimont and France's Grand Paroisse – are either wholly or majority-owned by their national governments. Few in the private sector are prepared to stick with fertilisers.

Surgery has achieved only mixed results. In 1990, with production totalling 50m tons valued at Ecu6.5bn, operating rates hovered around 70 per cent and profits disappeared as the market share of imported product rose to 45 per cent or higher in certain countries.

There is little relief to be found in export markets where western Europe's producers struggle with cost disadvantages. According to the European Fertiliser Manufacturers Association, member companies pay twice as much for natural gas – the main feedstock for ammonia – as their competitors in North America and six times as much as those in the Middle East.

Things are unlikely to improve. Sustained pressure from both the EC and Gatt to reduce both subsidies to farmers and food surpluses could trim acreages by more than 1 per cent a year during the decade, cutting fertiliser demand by as much as 15 per cent by 2000.

It was against this dismal background that in 1990 ICI announced a deal to sell its loss-making UK fertiliser business to Finland's Kemira.

The sale was subsequently blocked by the UK Monopolies and Mergers Commission, and the company has decided to run its plants during a current period of positive cash flow and some profits. But the fact that the UK company would prefer to put its efforts into the more lucrative sectors of agrochemicals and seeds speaks volumes about the long-term future of the fertiliser sector.

Life in the fiercely competitive agrochemicals market, however, will not be much easier. Most industry players and observers accept that the agrochemicals sector – primarily pesticides including insecticides, herbicides and fungicides – will be restricted, at best, to 1-2 per cent annual real growth through the 1990s.

"Nobody expects it to be much better than this because 75 per cent of the market is in North America, Western Europe and the Far East (mainly Japan), where agriculture is relatively stagnant," says agrochemicals analyst Mr John McDougall of County NatWest WoodMac.

He also notes that expected upturns in Latin America and eastern Europe continue to be hampered by their ongoing economic distress. Mr McDougall does concede some optimism for growth in south-east Asia.

WoodMac pegged world agrochemicals sales at $26.4bn for 1990, and does not expect any real improvement for 1991. Like fertilisers, the agrochemicals industry underwent a rapid, fundamental restructuring during the 1980s, reducing the number of players and concentrating more than 75 per cent of sales in the hands of the top 15 producers.

Although this process is likely to continue, the days of big bang mergers and acquisitions that saw companies like ICI and Ciba-Geigy dislodge Bayer from top spot and fused the agrochemicals operations of Dow and Eli Lilly into DowElanco, appear to be over. "For one thing, the number of potential candidates for divestment are far fewer than in the late 1980s, and companies are unlikely to divest businesses unless they can get good prices," comments Mr McDougall. Nevertheless, he expects further concentration to continue.

Long-term, the survivors are likely to be the companies with R&D clout and a track record in innovation and adaptation.

Meanwhile, those companies choosing to stay in the market will have to cope with a considerable array of pressures. Many face the end of patent protections on products that have served as the pillars of their agrochemicals business.

A good example of this is Monsanto's glyphosate herbicide Roundup, which, since its debut in the mid-1970s has produced well over half the company's agrochemical sales and a chunk of profits. But with the product coming off patent, Monsanto has recently been forced to cut prices by up to 20 per cent.

Mr McDougall is reluctant to write off Roundup too soon, however. "It's the world's biggest seller. It has a very good environmental and toxicity profile and a very broad spectrum of usage from crop protection through homes and gardens to major rights of way such as roads and railways. Monsanto is continually finding new uses for it," he says.

'Older products are being replaced with new improved substitutes and products with environmental problems are being phased out'

Patent expiry is only one of many challenges. Mr Heinz Imhof, head of both agrochemicals and seeds at Sandoz, the Swiss chemicals company, emphasises the need for product innovation: "Older products are being replaced with new, improved substitutes and products with environmental problems are being phased out," he says. New products are being developed with lower amounts of active ingredients, low toxicity, and which will not leach or leave residues.

"Anyone who fails to update their products within 10-15 years could find themselves with no business," Mr Imhof adds.

Another challenge lies in achieving a good mix of products and a broad geographical base. Sandoz Agro, which had sales of SFr1.15bn ($100m) in 1990, derives sales in roughly equal proportions from fungicides, herbicides and insecticides.

Geographical sales are divided in proportions equal to regional demand: North America; 35 per cent, Europe; 35 per cent, Asia-Pacific; 20 per cent. Mr Imhof describes Agro's portfolio as well balanced and the geographical split as almost ideal. At ICI, a similar strategy has been followed. "Acquisitions have taken us from 11th to 2nd place in under 10 years. But we have also brought forward quite a few new products," says Mr Chris Major of ICI Agrochemicals. "Our product range is new and looking good. It has been through the rigorous testing regimes of the 1980s.

"Our acquisition of Stauffer has given us territorial strength in North America. We are still underrepresented in Japan, but overall our sales have a good balance."

While there is clearly life in the mainstream agrochemicals business, new competitors are emerging with the rise of agricultural biotechnology. This new science has already produced biological pesticides and new breeds of pest and pesticide-resistant crops tailored to the climactic and soil conditions facing end-users.

Many of the big agrochemicals producers are pressing ahead with investments in these fields. Ciba-Geigy is working on the application of biotechnology in animal health and genetic engineering of plants. BASF is researching the biosynthesis of active ingredients for agrochemicals.

DowElanco is investigating bioinsecticides, insect resistant plants and seeds and Du Pont is at work on bioherbicides, bioinsecticides and plant breeding. But these are just a few examples. Others are pursuing the use of biotechnology in animal health vaccines and diagnostic products, and plant and animal growth regulators. John McDougall of WoodMac notes, however, that most of the important players engaged in these pursuits are chemical companies.

At Sandoz, the chosen emphasis is on seeds and biopesticides. The company is involved in bovine somatotropin and drug delivery. It is very active in the area of biopesticides and markets a range of products based on Bacillus thuringiensis for use in tomatoes, aubergines and potatoes.

While Mr Imhof is happy with Sandoz's achievements in the biological pesticide arena, he admits that learning curves and growth are slow. "They are good products, but they take time to develop and are very selective," he says.

Nevertheless, Mr Imhof expects these new additions to make increasingly important contributions to future sales.

Through a series of acquisitions in the last 15 years, Sandoz has also established a powerful position in the world seeds market.

Sales reached SFr924m ($650.7m) in 1990, and Sandoz Seeds is ranked number two worldwide, behind US-based Pioneer.

Imhof is quick to point out, however, that while Pioneer concentrates on corn, his company is either number one or two in the high value hybrid varieties of sugar beet, vegetables and flowers. The company has also struck a successful balance between the markets of North America and Europe.

ICI has also built a large seeds business in the past 10 years, having identified the obvious synergies with its own pioneering work in biotechnology and gene transplantation and manipulation.

An acquisition programme estimated to have cost about $400m has given the group strong operations in Europe, North America and the UK and 5th ranking among leading companies. Turnover is estimated to be about $250m.

The UK group has chosen to concentrate on five crops: maize, wheat, barley, sugar beet and oil seeds. In the UK, the company says that three new seed varieties, two for winter wheat and one for winter barley, have been approved for the recommended list of the national institute of agricultural biology for 1992.

It is difficult to estimate the value of the agricultural biotechnology business. The world seeds business is estimated to be worth $35bn (although less than half of this amount is actually traded). But it also includes traditional, non-biotechnological plant breeding, which accounts for the bulk of turnover. Biopesticide sales, meanwhile are valued at a more modest $120m.

However, Mr McDougall estimates agricultural biotechnology to be equivalent to 0.5 per cent of the total agrochemicals market and predicts, with allowances for pessimism and optimism, a rise to between $350m and almost $900m by 1995.

■ Sweeping welfare reforms alienate traditional Labour party voters **Page 2**

■ More fertiliser than can ever safely be used on Dutch farms **Page 3**

The Dutch are a good example of the benefits that European integration can bring. But the Netherlands is also a test case for the challenges and problems which closer economic and political ties are likely to pose for all EC states. Ronald van de Krol reports

Well placed for 1992

IT WAS pure luck that the *Dutch* were *given the daunting* task of trying to shepherd the European Community towards closer economic and political unity at the crucial Maastricht summit, now taking place in the Netherlands's southernmost city.

A simple accident of the calendar dictated that the all-important gathering should take place while the Dutch held the rotating six-month presidency of the EC, but the choice could not have been more fitting.

Always regarded as loyal Europeans, the Dutch are a good example of the benefits which European integration can bring. From their strategic perch on the north-western rim of the continent, the Dutch already trade extensively with the rest of the Twelve. Thanks *to the Netherlands's possession* of Rotterdam, the world's biggest port, the small country is also the single biggest conduit for goods flowing in and out of the Community.

Outward-looking and blessed with a flair for foreign languages, the Dutch have obvious reasons for wishing to promote greater unity: it is, without a doubt, in their economic interests to do so.

But the Netherlands is also a telling test case for the challenges and problems which *closer economic and political* ties are likely to pose for all EC states, even for the most prosperous. In a broad swathe of issues, ranging from taxation to social welfare policy, the Dutch are slowly coming to *realise that they will not* be immune from the competitive pressures which they are helping to unleash by abolishing Europe's internal borders. Already, for example, the country is witnessing the "emigration" of large numbers of wealthy Dutch businessmen to border towns and villages in Belgium, where *they* can *escape* the Netherlands's heavy tax burden yet remain close to their jobs, friends and family north of the frontier.

At a more emotional level, although the Dutch do not *really fear a single European* currency or the loss of political sovereignty to Brussels, there is clearly nervousness about the cultural and linguistic implications of closer European unity.

Can the Dutch language survive in a Europe dominated by German, French and English speakers, or will it be reduced to the status of a regional dialect? Will European laws and directives mean the end to the web of subsidies and grants which promote Dutch-language television programmes and radio broadcasts? These are the type of questions which go to the heart of Dutch attitudes *towards* the EC.

Like other members of the Community, the Dutch are *quickly discovering that* there is a European dimension to nearly every domestic issue, especially economic and social matters.

And, like the British or the Germans, the Dutch are increasingly (and sometimes nervously) looking across their borders to compare how they rank with their competitors and colleagues in the rest of the EC.

Nowhere is this newfound tendency to measure the Netherlands by a European yardstick more prevalent than in the debate about the future of the Dutch welfare state, one of the most generous and all-*encompassing to be found* anywhere in the Twelve.

In the summer, the centre-left government of Prime Minister Ruud Lubbers took the controversial decision to reform the country's disability *benefits scheme, a wide*-ranging programme that provides an income not only to victims of industrial accidents but also to people who are considered unable to work because of stress at the office or at home. The benefits scheme, *known* by its Dutch initials WAO, had become a burgeoning, expensive source of income to nearly 1m people out of a population of just under 15m. To rein in the growth of WAO payments, the government scrapped the once firm guarantee that income support would continue until *recipients reached* the retirement age of 65. Instead, the period of eligibility for payments was capped, based on the number of years which recipients had held a job.

Interestingly, one of the clinching arguments in favour of change was that Dutch "disability" rates were substantially higher than those of neighbouring Germany and Belgium, two countries with comparable *standards of living* and health care. The implication was that the Dutch system itself was at fault – and badly in need of repair.

Mr Wim Kok, the Dutch finance minister and Labour party leader, describes the

WAO system as almost "Kafkaesque" in the way that some *people with physical or mental* ailments are written off for life for future employment. "People get sick, they remain sick, and then various bureaucratic organisations say, 'You are not able to work any more'," he says.

The WAO reforms are the biggest change in direction ever made in the Dutch welfare state. Previous governments had reduced the level of WAO income support, but they had not taken on the more sensitive issue of how long people should be eligible for disability *payments*.

Labour's agreement that reform was necessary caused deep divisions in the party and nearly toppled the coalition government earlier this year. The storm of controversy has now passed, but the debate over the need for a "harder" welfare state continues, partly because of concern about the Netherlands's ability to compete with the rest of Europe. The government's main worry is that the Netherlands *still* suffers from a severe imbalance between the number of *people* with a job *and the num*ber of people drawing some type of social benefit. Currently, the ratio between workers and social benefits recipients is 100:85, putting the Netherlands well behind the rest of Europe.

The Dutch welfare state, meticulously built up over the decades with the help of revenue from huge natural gas reserves developed in the 1960s, will certainly survive greater European integration. It will not, as once feared, have to be sacrificed as part of an attempt to lower Dutch standards to the European average. But there is little doubt that it will *require further* reforms.

Mr Kok says, "too often, the social security system had the *characteristics* of a safety net rather than a trampoline," which could catapult people back into jobs *through* training and intensive counselling.

To adopt the "Euro-speak" which has dominated European politics in the run-up to Maastricht, the Netherlands is effectively seeking to bring about "convergence" between its level of social welfare and that of the rest of Europe. *Dutch generosity* need not be reduced to the European average, but nor can the Netherlands afford to pursue policies which are wildly out of line with what is considered fair elsewhere in the EC.

In the more strictly defined area of economic (rather than social) convergence, the Netherlands *looks set to meet* the various targets which it proposed for the rest of Europe in its draft text on monetary union in the Maastricht treaty.

Inflation is the least of the Netherlands's worries. Once *the EC's best performer on* inflation, Dutch rates are still relatively low, though they have recently risen to around the 4 per cent mark, in line with developments in Germany, the Netherlands's biggest *trading* partner. The country's record on finance deficits and state debt is less impressive.

Still, the government believes its deficit will be down to around 3 per cent of GNP by the mid-1990s. As for state debt, the Netherlands ranks, along with Italy and Belgium, *among* the most indebted countries in terms of GNP, though here, too, gradual progress is expected.

All in all, the Netherlands is well positioned to take advantage of "1992" and the single *European* market which *is* due to come into being by the end of next year.

However, like its fellow EC members, the Netherlands will have its work cut out for it between this month's summit in Maastricht and 1997, the year when the country will again have the chance to play *host to its European partners.*

IN THIS SURVEY

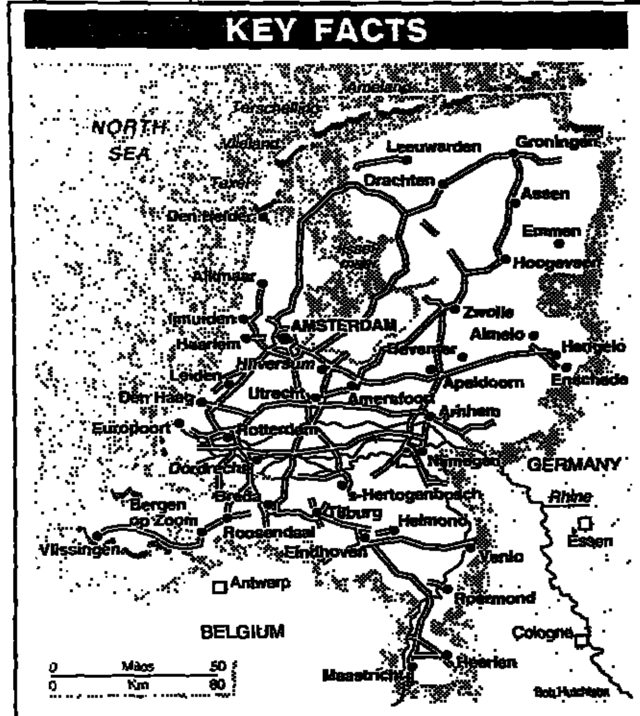
Parliament buildings

Say cheese

Editorial production: Roy Terry
Illustration: Joe Cummings
Pictures: Lydia van der Meer

THE NETHERLANDS 2

KEY FACTS



Area .... 37,291 sq km
Population 14.94m (mid-1990)
Head of State .... Queen Beatrix
Currency .... Guilder, also known as florin
Average Exchange Rate .... 1990 $1 = Fl 1.8209; 29/11/91 $1 = Fl1.8330

ECONOMY

	1990	Latest*
Total GDP ($bn)	276.1	n/a
Real GDP growth (%)	3.5	2.5
GDP per capita ($)	18,481	n/a
Components of GDP (%)		
Private consumption	58.8	n/a
Gross fixed investment	21.5	n/a
Stockbuilding	−0.2	n/a
Government consumption	14.8	n/a
Exports	56.6	n/a
Imports	51.6	n/a
Consumer prices (% change pa)	2.5	4.4
Unit lab costs (% change pa)	0.6	2.7
Ind wage rates (% change pa)	3.2	3.9
Ind production (% change pa)	2.4	−0.6
Unemployment (% of lab force)	7.5	6.6
Reserves minus gold ($bn)	17.5	16.8
Narrow money growth (% pa)	5.5	3.3
Broad money growth (% pa)	9.6	6.0
Discount rate (% pa, year end)	7.25	8.0
Govt bond yield (% year end)	8.93	8.77
FT-A index (% change over year)	−17.8	+15.4
Current account balance ($bn)	10.393	10.844
Exports ($bn)	122.33	126.84
Imports ($bn)	111.86	114.35
Trade Balance ($bn)	10.466	12.484
Main trading partners (1990, % by value)	Exports	Imports
West Germany	27.6	25.7
Belgium/Luxembourg	14.7	13.9
France	11.2	7.7
UK	10.2	8.2
US	4.0	7.9
Italy	6.6	3.7
EC	76.7	63.6

* 1991 figures (GDP growth and unit labour costs – Q1; Ind prod – Q3; unemployment and money growth – August; wages, reserves and interest rates – September; consumer prices – October; trade – first half of 1991 annualised; FT-A Index – % change from 1/1/91 to 29/11/91)

Source: IMF, Datastream, Economist Intelligence Unit

David Marsh examines the cracks in a model economy

Archetypal problems loom

THE Netherlands possesses what is perhaps the archetypal European economy. And as the continent faces up to a period of slower growth under the influence of a sharp deceleration in the German economic locomotive, the country is heading for some archetypal European problems.

Even after sturdy government efforts during the past decade to cure the early-1980s signs of sclerosis portrayed as the "Dutch disease", the cracks are still there in what is in many ways a model economy.

Profiting from a high-investment, high-productivity, export-led business sector, as well as its exports of natural gas, the country has achieved many benefits from European economic integration. No less than 76 per cent of Dutch exports last year went to other EC countries, with Europe as a whole accounting for 85 per cent.

Employees have accepted a judicious quid pro quo. As a condition for a highly generous social security system, a low labour participation rate, and relatively short working hours, they have accepted only moderate wage increases during the past five years. "We should give credit to the trade unions," says Mr Onno Ruding, the former finance minister, who is now head of the Netherlands Christian Federation of Employers. "If you don't work long hours, you cannot expect high wages."

The share of labour income in national income fell sharply during the 1980s, and the Netherlands' unit wage costs in manufacturing grew more slowly than its competitors.

The overall competitiveness of the Dutch economy is reflected in a continuing run of current account surpluses, which have grown steadily during the past decade to reach Fl 19.4bn last year (about 4 per cent of GNP).

The competitiveness of the Dutch economy is reflected in a run of current account surpluses

Economic growth in 1989 and 1990 was, like Germany's, above the OECD average, reaching nearly 4 per cent last year. Unemployment declined steadily to 7.5 per cent of the labour force last year (according to standardised OECD figures) from a peak of 12 per cent in 1983. The government can point to an increase in employment of around 600,000 (or 12 per cent) since the mid-1980s.

So far, so good. Difficulties are now starting to arise because of the close link between the Dutch and the German economic cycle. Germany accounted for 27 per cent of the Netherlands' exports last year. Given the 55 to 60 per cent export-dependence of the economy, roughly 15 per cent of Dutch economic output stems directly from its large neighbour. (The figure is far higher when indirect effects are taken into account). The Netherlands is thus feeling the brunt of post-unification turbulence in Germany – without gaining the same Germanic benefits of an automatic extension of its domestic market.

Dutch economic growth is thus slowing down sharply. It is estimated by the government's Central Planning Bureau at 2 per cent this year and 1.5 per cent next, while the ABN-Amro Bank is forecasting 2.25 per cent this year and only 2 per cent next year. At the same time, the economy is suffering from very high real interest rates – at about 5 per cent, the same as Germany's – and from a pick-up in inflation. After being negative during a brief period in the mid-1990s, the inflation rate has now risen to the European average of around 4 per cent.

The economy is vulnerable above all to further deterioration in the budgetary outlook. A pivotal point of the Dutch coalition's policies is to reduce the budget deficit to 3.25 per cent of national income by 1994 (from 5.25 per cent last year and an estimated 4.75 per cent this year). A large programme of cuts in subsidies is under way – especially in transport and housing.

According to Mr Geert van Maanen, director-general at the finance ministry responsible for the budget, the planned spending cuts during the 1992-1994 period – rising from Fl 6bn next year to Fl 16bn in 1994 – will have an effect going well beyond bringing the budget into better balance. "Our aim is to increase efficiency – we are not just cutting expenditure, but improving the systems too, by bringing in more responsibility for users."

Mr van Maanen is fighting an uphill battle. During the 1980s, the government made some headway in using years of relatively buoyant growth to improve public finances. It has also now started to trim some of the most expensive parts of the social security system, including the all-encompassing disability insurance scheme which has had the near-absurd result that 15 per cent of the workforce are officially declared disabled.

None the less, the cumulative effect of general government financing deficits of between 5 and 7 per cent of GNP every year since 1981 has taken its toll.

As a percentage of GNP, the Netherlands' annual deficits during this period (on the

The finance ministry is worried about possible 'crowding out' of private investment

"general government" definition used by the OECD) have been roughly twice as high as those in the US. Dutch net national debt roughly tripled during the 1980s, from Fl 110bn in 1981 to Fl 303bn last year, according to the Nederlandsche Bank. Net public debt stood at 59.4 per cent of GNP last year. The percentage increase since 1982 (when the ratio stood at 31 per cent), has been much higher than for the EC's other two notorious debtors, Italy and Belgium).

Especially if the economic slowdown proves deeper or more protracted than forecast, the planned deficit reductions in coming years will prove difficult to achieve without inflicting real pain on the economy. As the finance ministry put it itself in the preface to the 1992 budget memorandum, "the revenue base which must support expenditure on public services, including social programmes, is becoming too slender, while the excessive burden of interest payments prevents other highly necessary public expenditures from taking place". Slower growth in 1992, the ministry says bluntly, "will render the structural weaknesses of the Dutch economy and of the country's public finances directly visible".

The burden is seen particularly in the rising share of the budget devoted to debt service. Interest payments and other costs, estimated in the budget memorandum in September at Fl 24.7bn for 1991 and Fl 26.2bn for next year, are already now running at above Fl 30bn.

Against this background, it is no surprise that the finance ministry is worried about possible "crowding out" of private investment in coming years. The principal longer-term anxiety is that a combination of large public deficits and the overall ageing of the population may dampen economic dynamism. The past decade has seen growth and prosperity – but the degree of economic comfort to which the Dutch have become accustomed, may prove unsustainable.

Profile: WIM KOK

Politician on a tightrope

MR WIM KOK, the Dutch finance minister, is presiding over the most problematic balancing act on the country's political scene. He has brought in a package of severe deficit-cutting measures – which he defines as "austerity" – at a time when economic growth during the next year will be slowing down.

Mr Kok was previously parliamentary floor leader of the Labour Party before becoming finance minister and deputy-prime minister in the third cabinet of Mr Ruud Lubbers, the prime minister. Tightly circumscribed by the coalition aim of reducing the budget deficit to 3.25 per cent of net national income (3 per cent of gross national product) by 1994, Mr Kok's policy course leaves little room for manoeuvre. Given the commitment to reining in subsidies in coming years, he declares that there is no question that the government will achieve the deficit target. "It is not simply an objective – even the opposition had to acknowledge that we have put forward concrete measures."

Mr Kok's confidence, voiced in quick-fire, no-nonsense language, is impressive. But in view of the country's close links to the German economy, where the outlook for next year is more than usually uncertain, Mr Kok faces the clear risk that his calculations may go awry. If, as the result of a sharper than expected German slowdown, Dutch economic growth falters to a larger extent than the Government is forecasting, Mr Kok's fiscal arithmetic could start to come unstuck for reasons beyond his control.

Mr Kok played a substantial role in drawing up Dutch proposals for European monetary union during the country's trouble-plagued six-month presidency of the EC. His hand was evident in the ideas for promoting greater convergence of EC economies as a condition for moving to a single currency later in the 1990s. Mr Kok places firm faith in the principle of subsidiarity: "We have to transfer certain responsibilities and policy instruments to the (European) federation where we belong. But this must only be done in the cases where the federation can act in a better way than the sum of the individual countries."

As if his own domestic constraints were not enough, Mr Kok has to adhere to his fiscal targets during the next few years to meet budget deficit criteria which the Dutch have suggested for the Community as a whole. The Netherlands is uneasily aware that neither it nor Germany can fulfil the budget deficit condition of 3 per cent of GNP suggested as one of the entry criteria for European Monetary Union.

In charting the difficult fiscal path ahead, Mr Kok is adamant that pragmatism must take precedence over ideology. "I do not feel uneasy that a Social Democrat minister of finance had to take these initiatives – we had to show courage ... It is not part of Labour party ideals that public transport should be subsidised up to 80 per cent in major cities," he says. However, Mr Kok wants to maintain commitment to public sector infrastructure projects to improve the country's overall productive capacity, and also to distribute the austerity burdens as equally as possible throughout Dutch society. While trying to streamline the country's notoriously unwieldy social security system, he wants to maintain the impetus behind spending on environmental measures and education.

Referring to increased fiscal charges resulting from his budget plans, Mr Kok says: "It is difficult to keep budget deficits under control without side-effects." An increase in rents was pushed through this summer, for instance, as a consequence of government measures to reduce subsidies for the housing sector.

Picture: Lydia van der Meer
Wim Kok: austerity measures

Mr Kok is trying to balance the impact of increased rents with similar burdens on home owners. Also in the interests of equity, higher public transport charges have been bracketed with a rise in taxation on private cars. The two unfavourable consequences have been an acceleration of Dutch inflation, expected by private sector forecasters to remain at 3.75 to 4 per cent in 1991/92, and an increase in the overall level of tax and social security levies throughout the economy. This "collective burden" is expected to rise to 53.4 per cent of national income next year from 52.9 per cent in 1991 and 52.2 per cent in 1990. This is an "unavoidable consequence" of the deficit reduction drive, Mr Kok says – although he hopes that the ratio after 1992 will start to fall again.

The openness and relatively small size of the Dutch economy makes Mr Kok a realist about the margin for independent manoeuvre. "We are not blind followers of Germany, but in economic and monetary terms we are closely linked." In view of the overriding power of the Bundesbank, this puts clear constraints on monetary policies. "It is an illusion to think we could create a margin for independent interest rate policies unless we could show that inflation was lower and the guilder stronger." These conditions, Mr Kok says, are not yet in place. Although he does not spell it out, the implication is clear: depending on the Bundesbank's policies, the Netherlands could be in for a bumpy ride.

David Marsh

Profile: WIM DUISENBERG

Banker with an independent line

THE intensity of Dutch trade and economic ties with Germany has, for the Nederlandsche Bank, two primary consequences. It means that the Dutch central bank, more closely than any other country in the Community, has tended to follow the Bundesbank's monetary policies. It has also led to the bank taking up a position of independence from government which is rivalled only by that enjoyed by the Bundesbank. The Dutch central bank thus takes its cue from Frankfurt, not from The Hague.

Charged with managing these two contrasting relationships is Mr Wim Duisenberg, the president of the Nederlandsche Bank, a past finance minister and also a former president of the Bank for International Settlements in Basle. He is a tall man with an informal manner and a mop of unruly hair. Mr Duisenberg views the dependence on Germany with mixed feelings. He defends "stability-first" monetary policies with almost as much vigour as an official from the Bundesbank. But he is clearly uneasy about the way that the smaller industrialised countries risk being squeezed by larger ones in general matters of international economic policy.

He regards, for instance, as a "setback" the extension of co-operation within the Group of Seven (in which Holland does not participate) to the field of central banking. "I regard this as a threat to the very efficient co-operation among the Group of 10 central banks (of which the Netherlands is a member)."

Mr Duisenberg likes to say that it is the Dutch rather than the German "model" which should set the guidelines for the planned European central bank (ECB). He is an arch advocate of the bid to bring the ECB to Amsterdam, and has even earmarked three buildings – including the new tower block of the Nederlandsche Bank itself – as potential headquarters for the institution.

The Nederlandsche Bank is one of the few European central banks which already has a clause on the importance of price stability built into its statutes.

Section 9 of the 1948 Bank Law lays down that the bank's duty is "to regulate the value of the Netherlands monetary unit in such a manner as will be most conducive to the nation's prosperity and welfare, and in so doing seek to keep the value as stable as possible."

The bank is not fully independent, as a complicated clause stipulates that the finance minister may, in certain circumstances, "give such directions to the governing board as he thinks necessary for the bank's policy to be properly co-ordinated with the government's monetary and financial policies." The central bank, however, has the right to protest against any such move and to spark a parliamentary debate.

The government's power to issue directives has never been used. "Either the government would fall," says Mr Duisenberg, "or the board of the central bank would resign. This provides for checks and balances in the system."

In spite of very high real German interest rates, Mr Duisenberg knows that, for the moment, there is no alternative but to shadow Bundesbank monetary policy. He takes a philosophical view of the difficulties caused by a slowdown in his country's economic expansion and a rise in inflation to around 4 per cent.

"I am not happy with the slowdown in growth," he says. "But it is limited – we are not entering a phase of recession. Our economy is closely linked to Germany, as our biggest trading partner. We benefited greatly from the surge in German imports during the reunification process. Now we will suffer from the slowdown in Germany, although we are forecasting a pick-up later. We can't do anything about it."

If the Netherlands were to pursue an autonomous interest rate policy and try to ease credit, "it would weaken confidence in the guilder," he says. "Interest rates would go higher on the capital markets." He maintains bluntly that the decision by the Banque de France on November 18 to raise its key money market interest rate by 0.5 points – reversing France's attempted go-it-alone interest rate easing – emphasised the limited room for manoeuvre of countries within the European Monetary System. "We are not as sovereign as some would pretend they are."

Mr Duisenberg is reasonably confident about the prospects for European Monetary union. "Germany, France, Denmark, the Netherlands, Belgium and Luxembourg could start tomorrow. So could Austria, if it became a member of the EC." He is a firm supporter of the need for tough anti-inflation criteria, and for weaker economies to bring their performance towards German-style levels as a condition for entry into EMU.

Picture: Lydia van der Meer
Wim Duisenberg: eye on Frankfurt

He favours strict sanctions on member states whose budget deficits veer out of line. "Withholding funds from the European Community would be one way of doing this – I can think of other things as well."

A trifle disingenuously, Mr Duisenberg says he "cannot recall" disagreeing with Mr Wim Kok, the finance minister, with whom he has weekly meetings. In fact, the Nederlandsche Bank was openly sceptical about some of the points in the Dutch government's pre-Maastricht draft treaties on monetary union – particularly over the nature of the European Monetary Institute intended to be set up in 1994 as a precursor to the ECB. Here Mr Duisenberg sticks closely to the German line opposing transfer of monetary decision-making power until the full-fledged central bank is set up, possibly later in the 1990s.

Experience suggests that, in this matter at least, Mr Duisenberg and his powerful allies are likely to get their way.

David Marsh

Ronald van de Krol examines the plight of the Dutch Labour Party

Reforms leave their mark

THE GOOD news for the Dutch Labour Party in the 1990s is that after years of opposition, it is finally back in office as part of a centre-left coalition with the Christian Democrats, bolstering its credibility as a party of government. The overwhelming bad news for Labour, however, is that so far, its term in office has been marked by the most sweeping reform of the Dutch welfare state ever undertaken. This has alienated traditional Labour voters and stirred profound dissatisfaction within the party.

Earlier this year, Labour ministers, led by Mr Wim Kok, the finance minister, agreed to a controversial plan for cutting back the Netherlands's disability benefit scheme, a sprawling, much-abused system which has mushroomed to cover nearly 1m people out of a population of fewer than 15m. The move unleashed a storm of criticism, most of it directed at Labour, which was accused of betraying its ideals and the interests of its supporters. The Christian Democrats and their leader, Mr Ruud Lubbers, the veteran Dutch prime minister, escaped most of the blame.

At an emotional, special party congress in September, Mr Kok won the support of 80 per cent of delegates, enabling him to continue in his post and the coalition to remain in office. But criticism of the party's budget-conscious decision to trim a mainstay of the Dutch welfare state is still sharp, and it hangs ominously over Labour's chances in the next general election, due to be held at the end of 1993.

Mr Paul Kalma, the director of the Wiardi Beckman Foundation, the party's policy think-tank, says of the controversy surrounding disability benefits: "It has shaken the party to its core. The after-effects are still being felt."

One practical consequence of the issue is that party members have been cancelling their memberships at the rate of around 1,000 a month since the summer. The Labour party, which was set up in its present form in 1946, numbers more than 80,000 paid-up members.

Over the next few months, the debate about the future of Labour will be dominated by campaigning for next March's election of a new party chairman to succeed Mrs Marjanne Sint, who resigned in August over the party's handling of the disability reforms. So far, two candidates have emerged: Mr Felix Rottenberg, the 34-year-old director of an Amsterdam political and cultural centre, and Mr Ruud Vreeman, the head of the country's largest transport trade union.

It is little consolation to Labour that its role in pruning runaway growth in disability benefits (known by their Dutch initials WAO) was probably inevitable: few Dutch governments would have dared to tackle the problem while Labour was in opposition. Indeed, the previous two centre-right coalitions, between the Christian Democrats and the Liberals, had acknowledged the WAO system was becoming untenable, but they shied away from taking corrective measures.

Mr Kok defends his party's agreement to curb the size of disability benefits for existing recipients under the age of 50. "We had to show the courage and initiative to demonstrate that things couldn't remain the same," he argues. His firmness has won Mr Kok admiration from outside his own party but it is by no means clear that it will win Labour new votes in the 1993 elections.

Even without the disability row, Labour's fortunes have faltered since it entered the government coalition in 1989, ending a stretch of nearly 12 years in opposition. In local elections in March 1990 and again in provincial elections in March 1991, Labour suffered painful losses in support, with its share of the votes falling to 25 per cent and 20 per cent respectively compared with the 32 per cent share of votes won in the 1989 general elections.

The root of Labour's problem is that soon after it came to power, the economic boom of the 1980s gave way to a slower rate of growth. Contrary to initial hopes that Labour would be able to combine its traditional social conscience with a newfound emphasis on economic and fiscal realism, it soon found itself faced with strict budgetary limits on what it could achieve. "There was friction between ambition and reality," Mr Kok notes simply.

Since then, Labour's electoral difficulties can be explained in part by the lack of convincing, obvious proof that its participation in government

Picture: Lydia van der Meer
Ruud Lubbers: escaped criticism

has brought about a marked change from the policies pursued by Mr Lubbers when he was still in coalition with the Liberals. Labour points to the fact that the government has managed to maintain spending on the environment and on public transport infrastructure in spite of the new budgetary constraints. It also claims some successes in "social renewal", a low-cost programme aimed at revitalising urban neighbourhoods and redoubling efforts to reduce the ranks of the long-term employed.

Mr Kalma says: "The achievements are mainly in the area of shifting accents, in placing more emphasis on the environment, for instance. But it has to be said that, on the whole, the progress made may seem disappointing to the average Labour voter."

Like social democratic parties in other parts of Europe, Labour is also feeling the effects of broad social and demographic changes, particularly a new mobility among voters. Those who once voted unwaveringly for Labour now switch parties more easily from election to election. It is no coincidence that Labour's biggest competitor is D66, a left-of-centre party whose lack of strong ideological identity is one of its biggest attractions.

Thanks to the country's prosperity since the 1960s, Labour voters from what was formerly described as the working class are likely to be home owners who take one or more foreign holidays a year, who commute to work from the suburbs and who are therefore as apt to complain about higher taxes on petrol as more conservative voters. As in other countries, the profile of the typical voter has changed faster than Labour's ability to adjust to new electoral realities.

THE NETHERLANDS 3

Ronald van de Krol on the divide between north and south

Bridging the economic gulf

AT FIRST glance, two recent events elsewhere in Europe – the liberation of the Baltic republics and the desire by Scandinavian countries to join the European Community – would seem to be of little direct relevance to the northern Netherlands. Yet both developments are central to the region's hopes that it, too, will benefit from the expansion of Europe, enabling it to share in the 1992-inspired business surge which has buoyed up many southern parts of the Netherlands.

The opening up of eastern Europe and the probable expansion of the EC to include Nordic members are being welcomed in the northern Netherlands as signs that the economic gravity of Europe will not continue to slip further southwards, giving the northern part of the Netherlands a chance to catch up with its southern neighbours.

To an outsider, it might seem unbelievable, even ludicrous, to talk of sharp regional differences in the Netherlands, a country which is smaller than the German state of North-Rhine Westphalia and about the same size as the US state of Maryland. But regional differences are very real in the Netherlands, and no more so than in the three northern provinces, where the vast stretches of empty space and the sparse population offer a compelling contrast to the better-known, thickly-settled areas to the south. Together, the three northern provinces of Friesland, Groningen and Drenthe contain 25 per cent of the Netherlands' land mass but less than 10 per cent of its 15m people.

The northern provinces continue to lag behind the rest of the country in nearly every category of economic development.

The economic discrepancy is not readily apparent to the naked eye: the towns and villages look as prosperous as those to the south. But the gulf between north and south is apparent in statistics on unemployment, investment and economic growth.

"The north shared in the strong growth seen by the rest of the country since the mid-1980s, but at a slower rate," says Mr Arie van der Hek, the director of the Investment and Development Company for the Northern Netherlands (NOM). "If national growth slows, as it is doing now, we expect that there will again be a delayed reaction in the north." This would help bridge the gap between the two regions, at least partially.

Compared with the rest of the country, Friesland, Groningen and Drenthe all lack a network of large-scale companies. "One of the most important missing links is a strong service sector, such as freight forwarders and container terminals," Mr van der Hek notes. In agriculture, the provinces are heavily weighted towards arable farming – the most depressed sector in the Netherlands' otherwise thriving agro-industry – and they are under-represented in such lucrative areas as flower and bulb-growing and intensive livestock farming.

The three northern provinces lag behind the rest of the country

Efforts to attract Dutch and foreign companies have had only moderate success, especially when compared with southern provinces such as Limburg and Brabant whose strongest selling points are their proximity to the Ruhr area of Germany and to the rest of the EC. The north has some advantages – lower land prices, slightly lower energy prices for large industrial plants and somewhat lower labour costs – but these are often outweighed by another consideration, location.

The distance from the northern Netherlands to the rest of the country is more psychological than real. It takes only 2¼ hours, for instance, to travel by train from Amsterdam to Groningen, the capital of the province of the same name. It is no coincidence, therefore, that the biggest foreign investors in the north are the Americans, the Swedes and the Finns, nationalities which are used to travelling long distances in their own countries.

Nevertheless, the north's "remote" location is a recurring theme in domestic debates about the regions' problems. A common joke told by northerners is that the distance from Amsterdam or The Hague to Groningen is twice as long as the distance from Groningen to Amsterdam or The Hague. In other words, northerners are always the ones who are expected to travel to the centres of power for discussions, while people in the south and west of the Netherlands are supposedly loath to travel north.

Mr Piet Pallenbarg, a professor of economic geography at the University of Groningen, has found that northerners themselves have a distorted picture of how far away they are from the rest of the country.

As part of his research, he conducted a survey asking people around the country to estimate the distance between Amsterdam and Groningen (185 km) and Eindhoven and Groningen (235 km). "Surprisingly, those who got it wrong and overestimated the actual distance tend to be northerners, and by a large margin, too," Professor Pallenbarg says. For this reason, he has proposed that Groningen province's external promotional efforts, conducted under the slogan *Er gaat niets boven Groningen* (Nothing tops Groningen), should also be targeted at its own citizens.

Another recent proposal for strengthening the image and power of the north is the idea that the three provinces should merge. The proposal has gained some support, but the main stumbling block remains the province of Friesland, which jealously guards its role as the promoter and protector of Frisian culture and the Frisian language, the country's second official language after Dutch.

Mr Johan Remkes, a Liberal party (VVD) member of the Groningen provincial assembly and the initiator of the merger idea, says amalgamation would boost efficiency and make it easier for the northern region to form partnerships with their big neighbours to the east, like the German federal state of Lower Saxony.

"One of the problems of the north is our relatively light population density. This leads to a more moderate use of infrastructure and means that we don't score high in the field of priorities. By getting together, we'd enhance our power", Mr Remkes says, citing a variety of potential infrastructural projects. Groningen and Leeuwarden, the capital of Friesland, are the only two provincial capitals in the Netherlands which are not connected by a high-speed Intercity train service. Travellers between the two biggest cities of the north have to resort instead to an hour-long, local train service.

Northern businessmen and politicians would also like to see the central government transfer more government bodies to the northern provinces. In the late 1980s, after a decade of controversy and opposition from some Hague-based civil servants, the headquarters of the Dutch PTT were finally moved to Groningen, bringing with it thousands of high-status jobs and stimulating the creation of smaller suppliers such as automation companies. In spite of the initial opposition, the transfer is now deemed a great success.

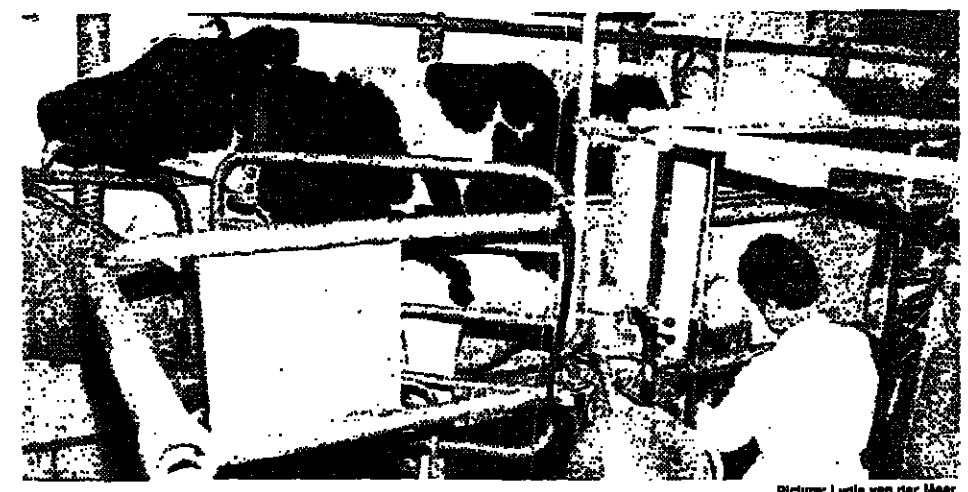
"Surveys have showed that 95 per cent of those who moved to Groningen with the PTT would not want to go back again," Mr Remkes says. In a crowded country plagued by traffic jams, the north continues to hope that its relatively peaceful "quality of life" will eventually spur a migration of companies and jobs from the built-up south.

There is a high environmental price to pay for agricultural bounty

Manure mountain grows

IN SPITE OF its small size, the Netherlands has managed to become one of the world's biggest agriculture exporters, ranking third after the US and France. This achievement, repeated year after year, is possible only because the Dutch are masters at wringing high agricultural productivity out of their few plots of land.

But the Netherlands is becoming increasingly aware that it is paying a high environmental price for this agricultural bounty. Intensive land use has emerged as an important cause of air, soil and water pollution, forcing the country's agricultural sector to rethink and adjust its methods.



Picture: Lydia van der Meer

In terms of tonnage, one of the biggest 'products' of Dutch farming is not milk but manure

In terms of sheer tonnage, one of the biggest "products" of Dutch farming is not milk, cheese, flower bulbs or grain but an inconvenient by-product: 80m tonnes of manure a year. Modern animal husbandry techniques have enabled the Dutch to keep ever larger numbers of pigs, hens and cows on the same amount of the land. The result is more manure than can ever be safely used as natural fertiliser, creating troublesome problems of water, soil and even air pollution in numerous farming districts (particularly in the south of the country) where the animal population far outnumbers the human population.

This same intensive, high-technology approach has caused a second environmental problem for the Dutch countryside. The use of herbicides and pesticides per acre of farmland in the Netherlands is considered to be the highest in the world, and this has spurred the government to propose sweeping cuts in the amount of chemical agents deployed by Dutch farmers.

Manure and pesticide pollution are not unique to the Netherlands, but the country faces a unique set of circumstances. For instance, unlike farms in other parts of Europe, Dutch farm fields are generally bounded by a complex network of canals, streams, and ditches, meaning that chemical agents can easily seep into ground and surface water. At the same time, the country's population density, human and animal, creates special problems as the Netherlands searches for ways of rectifying the imbalance between its huge, 112m-strong herd of farm animals and its 15m inhabitants.

Concern about the environmental consequences of the Netherlands' agricultural prowess has led the government to launch ambitious plans to control the negative side-effects of farm productivity. By 1995, it hopes that new rules on the use of pesticide use will slash the amount of pesticides sprayed on to Dutch farmland by 35 per cent, with a further cut to at least 50 per cent by 2000.

Over the same period, the government will gradually be tightening up the norms for the amount of manure – and therefore the amount of phosphates and nitrates – that can be spread on to farmland. Under this plan, part of the excess manure will be processed and turned into fertiliser pellets for export. But so far, of the 6m tonnes of processing capacity scheduled to come on stream by the mid-1990s, less than 500,000 tonnes of capacity is available.

The twin environmental problems of manure surpluses and pesticide pollution have come to overshadow the undoubted successes of Dutch farming in a variety of fields, particularly horticulture. Apart from the arable farming sector, which is facing severe difficulties, Dutch agriculture has gained strong global market positions in areas ranging from fruits and vegetables to flower bulbs and potted plants. In 1990, agricultural exports were worth Fl 58.3bn, or roughly 25 per cent of total Dutch exports. This is far above the average for the European Community as a whole, where farmers account for only 9 per cent of their countries' foreign sales.

Nevertheless, farmers and horticulture growers face the daunting challenge of maintaining their leading international roles while, at the same time, tackling the expensive task of reducing manure surpluses and reining in pesticides. Estimates of the true cost to farmers of pollution-cutting measures vary, but the government says that its new rules on pesticides will add Fl 2.3bn to the agricultural sector's investment bills between now and 2000. The same amount again will probably be needed to help level the manure "mountain".

At a conference last month, the Agriculture Economics Institute (LEI) said that the manure problem is "technically solvable", but at a price of an extra Fl 2.4bn in annual costs to farmers. "For the cattle sector this is equivalent to approximately 27 per cent of value-added in 1990/91. For the pig and poultry sector together, the figure is 50 per cent," the institute said. "The ability to pass on these costs to consumers will depend partly on environmental measures introduced in neighbouring countries."

There is no lack of proposed solutions to the manure surplus. Most, however, are still in the early stages of development.

Besides the manure-processing plants, another proposal is the creation of more "closed-system" accommodation for chickens and pigs in which a minimum of harmful ammonia contained in the animals' excrement escapes into the air or ground. Other research focuses on changing the composition of animal feed so that the animals produce less excess phosphorus.

To meet the targets laid down in the Netherlands' pesticide reduction programme, farmers will probably have to resort to a combination of existing techniques, including the destroying of weeds by machine rather than by chemicals and the rotating of crops more frequently to combat plant diseases which strike at mono-culture agriculture. Like animal sheds, Dutch hothouses will increasingly have to be converted into closed systems, with water recycled and then purified before being released into the environment.

Though technically feasible, these methods may prove to be less efficient than the "high-tech" techniques practised by livestock farmers and crop farmers. But livestock keepers in particular are expected to co-operate in the search for ways of reducing pollution, if only to ward off the prospect of mandatory cuts in the number of livestock, as proposed by some environmentalists.

Ronald van de Krol

David Marsh visits the province which is hosting the EC summit

A European success story

FROM the seventh floor of the headquarters of DSM, the Dutch chemicals group, in the south Netherlands town of Heerlen, the vista extends west and south to Belgium and eastwards towards Germany. The grotesquely ugly building occupied by the government's central statistics bureau, transferred here from the north during the 1980s, blots out the view of the now-greened slag heaps ringing the town. A disused colliery tower bearing the initials ON – for the now-closed privately-owned Oranje Nassau mine – stands out among the office blocks.

The picture tells it all. The southern part of the province of Limburg, in which Heerlen is located, has made a remarkable recovery from earlier dependence on coal mines. Grimy house facades are a feature of the past. With its prosperous service sector and growing reputation as a home for multinational corporations, Limburg has been transformed within two decades from a depressed region to a fully-fledged European success story.

Between the beginning of the 20th century and the 1960s, Limburg produced a cumulative 600m tonnes of coal from state and private-owned mines. This formed an important pillar of the Netherlands' overall industrial expansion. In 1965, roughly one in three of the south Limburg workforce were dependent, directly or indirectly, on the mining industry. Under a decision taken in 1965 – forced by worsening coal mining economics and the discovery of rich resources of Dutch natural gas in the north – the mines were closed down during the period up to 1973.

The 1970s and early 1980s brought considerable hardship. But now, the change of economic tack has paid off. Helped by DSM's exemplary conversion during the past 25 years from a large mining company to a purely manufacturing corporation, as well as by generous assistance from the government in The Hague (including relocation of government offices such as the statistical service), Limburg today is flourishing.

"People have recovered their self-confidence and can now take the initiative," says Mr Emile Mastenbroek, the 61-year-old governor of Limburg, who is chairman of the board (appointed by The Hague) of the Limburg regional government. Mr Mastenbroek occupies palatial new offices on the River Meuse in the provincial capital of Maastricht. His building was used this week to host the EC summit in the town.

Mr Mastenbroek makes the point that the mining closures had to be carried out relatively quickly to prevent the area dying a slow death. Now, neighbouring mining regions in the Belgian province of Limburg and in the area around Aachen in Germany are facing the same problem. The big difference, according to Mr Alois Lohuis, DSM's head of strategic planning, is that DSM was able to diversify into sectors such as plastics and polymers at a time when the European chemical industry was growing at about 10 per cent a year. The Belgians and Germans across the border of Limburg's territorial sliver now have to cope with the same type of industrial conversion under far less propitious economic conditions.

Picture: Lydia van der Meer

Emile Mastenbroek: hoping to benefit from the EC summit

Direct government aid to help the transformation of southern Limburg came to between Fl 1bn and Fl 1.5bn over 10 years. The overall financial injection needed to carry out the entire exercise has been around Fl 25bn. Of the 30,000 miners employed by DSM in the state coal mines (a further 15,000 worked in private mines), 10,000 took early retirement, and 10,000 found jobs in other industries, most of which were set up with support from DSM. A further 4,000, mainly after retraining, found jobs in DSM's chemical companies, 3,000 were foreign workers who were repatriated, and 3,000 were disabled workers who (underlining a feature of the highly developed Dutch social security system) were transferred to so-called "sheltered workshops".

Picture: Lydia van der Meer

Maastricht street scene: capital of the prosperous south

DSM remains the region's biggest employer – but the dependence on the company is far less than during the 1960s. DSM now gives work to around 10,000 people in southern Limburg, out of its 25,000 workforce worldwide. It makes up about one quarter of Limburg's economic output on the basis of value added. Of DSM's $1bn a year investment, 40 to 50 per cent is made in the Limburg region.

Unemployment in the whole of Limburg province is now around 8.4 per cent, slightly less than the national average of 8.5 per cent. In preceding years, the unemployment rate was slightly more than the national average. The improvement has been most marked for southern Limburg. It still has a jobless rate somewhat worse than the rest of the country – 9.8 per cent at present. But the gap between southern Limburg and the Netherlands average was far greater in 1989, when the figures were 11.3 per cent and 9.6 per cent respectively.

Mr Mastenbroek, a Christian Democrat, sets great store on the region's ability to bring in outside businesses and services. Publicity given to Maastricht after its first experience of hosting an EC summit in 1981 was an important factor helping the town to attract around 20 educational, health and research institutes since then. He is hoping for similar publicity value from the latest gathering this week. Maastricht's aim is to act as a catchment area for regions as far-flung as Liege, the Ruhr and Flanders.

The provincial government counts more than 200 foreign companies which have set up activities in Limburg, making up roughly 20 per cent of all enterprises in the region. A particular coup was the success in attracting Mobil Oil to Kerkrade in southern Limburg to establish a Fl 450m plastic foil plant. Other multinational companies in the province include Volvo, Hoechst, Rank Xerox, Pratt & Whitney and Tenneco, while Venlo in the north is the hub of one of Europe's largest road and rail transport networks.

Limburg has greatly benefited from EC integration. Companies like DSM are hoping for further progress in areas such as harmonisation of environmental regulations to prevent competitors in other countries with more lax anti-pollution standards from making up too much ground. The region, however, is already at the crossroads of Europe. It seems difficult to believe that further Community advances towards a federal goal could add substantially to the advantages Limburg has won already.